



2025

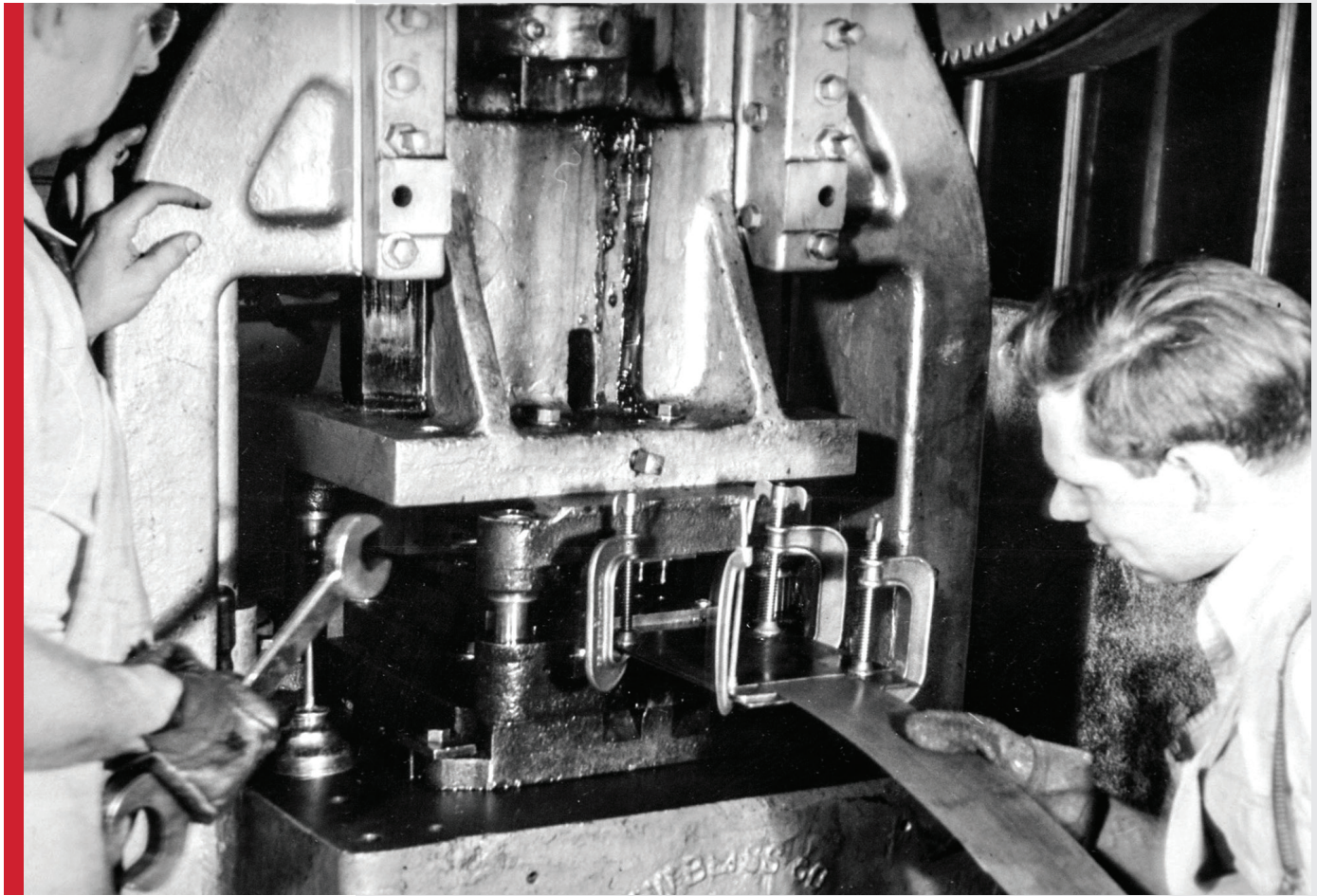
ANNUAL REPORT

Over 100 Years
& Four Generations

- Server Racks and Cabinets
- Electrical Enclosures
- Power Distribution
- Small Enclosures
- Electronic Transformers



Over 100 years
& four generations
in business.
Established 1917.



Fred Hammond, (right) was part of the second generation of a fast growing family run business. Fred was one of six brothers and two sisters.

Quality Products. Service Excellence.

We have a broad product offering to serve our customers in multiple markets and industries.

We promise ten day back order recovery on standard product. We work hard to provide you with your required product in a prompt time line.

Value added services (modifications, assembly and drop shipment): Hammond Service Excellence means we go above and beyond our competition and provide our customers with the exact solution required.

Our Values:

- We are dedicated to our customers. We provide quality products and service that create value to our customers.
- We are responsible to our shareholders. We provide an adequate return on their investment over the long term.
- We are committed to our employees. We provide competitive pay, open and frank communication and a safe work environments.
- We recognize the importance of our suppliers assisting us in our ability to serve our customers.

Hammond Manufacturing Company Limited

2025 Annual Report

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REPORT TO SHAREHOLDERS

Dear fellow shareholders, employees, and stakeholders:

Despite trade and tariff costs and uncertainties, performance of Hammond's North American operations continues to demonstrate resilience. Nevertheless, US tariffs have led to an increase in the cost of doing business.

To mitigate this impact, the Company has implemented strategic price increases, identified efficiency gains and cost-saving opportunities. While these measures have helped offset some of the added costs, US-related business has experienced continued declines in gross profit margins as new tariff guidance impacts the business.

Favourable foreign exchange rates provided a year-to-date benefit compared to 2024. However, it is anticipated that this advantage will diminish in the coming quarters.

As the Company enters the uncertainties of 2026, our strength to respond as a team will continue to be important.

Hammond supplies good products with superior service and competitive prices to global customers. This is our strategy for security and continued growth.

The Company continues to build long term security and success for all our stakeholders and once again want to express our appreciation for everyone's involvement in the year's success.

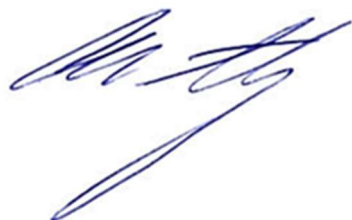
Sincerely,



Robert F. Hammond
Chairman & CEO



Paul Heuts
CFO



Alex Stirling
Secretary and EVP

ANNUAL MEETING

The meeting of the Shareholders will be held on
April 28, 2026, at

Cutten Fields
190 College Avenue East, Guelph, Ontario
Commencing at 10:00 a.m.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis (MD&A) comments on the consolidated financial position and financial performance of Hammond Manufacturing Company Limited (“Hammond” or “the Company”) for the year ended December 31, 2025. This discussion should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2025, and related notes. Additional information about the Company can be found on its website, www.hammfg.com, or through the SEDAR website at www.sedar.com which includes the Company’s Annual Information Form. The information contained herein is dated as of March 10, 2026.

The annual consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS).

All amounts in this report are in Canadian dollars unless otherwise stated.

Cautionary advisory—Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. This MD&A contains forward-looking statements that involve a number of risks and uncertainties, including statements that relate to among other things, the Company’s strategies, intentions, plans, beliefs, expectations and estimates, and can generally be identified by the use of words such as “may”, “will”, “could”, “should”, “would”, “likely”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “objective” and “continue” and words and expressions of similar import. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from expectations include but are not limited to: general business and economic conditions (including but not limited to currency rates); changes in laws and regulations; legal and regulatory proceedings; and the ability to execute strategic plans. The Company does not undertake any obligation to update publicly or to revise any of the forward looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by law.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Hammond Manufacturing Company Limited manufactures electronic and electrical enclosures, outlet strips and electronic transformers that are used by manufacturers of a wide range of electronic and electrical products. Products are sold directly to Original Equipment Manufacturers (OEM) and through a global network of distributors and agents.

Facilities are situated in Canada, the United States of America (US), the United Kingdom (UK), Taiwan, and Australia, with agents and distributors located worldwide. The Company also maintains a 40% ownership share of RITEC Enclosures Inc. (RITEC) located in Taiwan. RITEC produces a line of small cases for sale through Hammond's sales channels and also manages the sourcing of die cast and plastic enclosures.

OPERATIONS

Hammond was founded in Guelph, Ontario, Canada in 1917. In the early years, the Company manufactured radios, power amplifiers and battery eliminators. The Company has grown over the years and has established a global name for quality products of Electrical Enclosures, Racks and Cabinets, Small Electronic Cases, Outlet Strips and Electronic Transformers. Customers include electrical, electronic and datacom OEM's/MRO's, utilities and institutions which are served through a network of agents and distributors.

Hammond has a team of over 1,000 employees with a commitment to ongoing capital investment and continuous improvement programs to affirm the Hammond reputation for quality. Ongoing efforts to differentiate through high levels of service and customer satisfaction are a key corporate focus. These are the cornerstones to future success.

Demand for the Company's products remained steady in 2025, with Hammond realizing its highest annual revenues in the Company's history.

Primary manufacturing is in Ontario, Canada with supporting manufacturing capabilities in the US and UK. In the summer of 2024 Hammond purchased 11.49 acres of land in Fergus, Ontario. This will secure needs for future growth.

The Company holds high levels of inventory to ensure customers are serviced well. This policy serves the Company well to ensure that customer demands are met and serviced in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS

Amounts are presented in thousands of Canadian dollars, except earnings per share, unless otherwise stated.

QUARTERLY INFORMATION

	2025				Year-to-date Total
	Q1	Q2	Q3	Q4	
Net sales	\$67,159	\$71,333	\$70,787	\$72,127	\$281,406
Income from operating activities	7,120	6,134	5,733	3,306	22,293
Net income for the period	4,726	3,904	3,858	1,920	14,408
Earnings per share	\$0.42	\$0.34	\$0.34	\$0.17	\$1.27
- Basic & diluted					

	2024				Year-to-date Total
	Q1	Q2	Q3	Q4	
Net sales	\$59,086	\$61,944	\$62,166	\$61,702	\$244,898
Income from operating activities	6,859	7,329	6,463	6,949	27,600
Net income for the period	4,457	4,712	4,399	4,806	18,374
Earnings per share	\$0.39	\$0.42	\$0.39	\$0.42	\$1.62
- Basic & diluted					

FOURTH QUARTER RESULTS

NET SALES

Net sales for the three months ended December 31, 2025, were \$72,127, up 1.9% compared to net sales of \$70,787 in the third quarter of 2025. Foreign exchange had a positive impact of \$591, accounting for 0.8% of the increase. In local currencies, the Canadian market was down 2.0%, the US market was up 2.8% while UK, European and International markets were down 1.6%. Including the impact of foreign exchange, US net sales were up 4.1% and UK, European and International markets were down 1.7%.

Net sales for the current quarter were up 16.9% compared to net sales of \$61,702 for the three months ended December 31, 2024. Foreign exchange had a positive impact of \$97, accounting for 0.2% of the increase. In local currencies, the Canadian market was up 8.9%, the US market was up 21.7% while UK, European and International markets were up 6.0%. Including the impact of foreign exchange, US net sales were up 21.7% and UK, European and International markets were up 9.9%.

GROSS PROFIT

Gross profit of \$22,111 for the fourth quarter of 2025 was 30.7% of net sales compared to 33.5% in the third quarter of 2025. Margins were significantly impacted by US tariff costs in the fourth quarter of 2025. In particular, the Company reversed an estimated US tariff receivable, established in the second quarter of 2025, of \$2,608. Adjusting for the impact of foreign exchange and the reversal of the anticipated tariff refund, this quarter's gross margin is 34.1%.

Comparing the gross profit between the comparative fourth quarter of 2024 and 2025 there was a decrease from 38.1% to 30.7%. Margins were significantly impacted by US tariff costs in the fourth quarter of 2025. The impact of foreign exchange compared to levels in the fourth quarter of 2024 was negligible.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING AND DISTRIBUTION, GENERAL AND ADMINISTRATIVE EXPENSES AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Fourth quarter selling and distribution, general and administrative expenses and loss on the disposal of property plant and equipment of \$18,805 was 26.1% of net sales for the three months ended December 31, 2025. This compared with spending of \$17,986 in the previous quarter, that was 25.4% of net sales. The fourth quarter of 2024 saw spending levels of \$16,567 which was 26.9% of net sales.

Selling and distribution spending in the fourth quarter of 2025 was \$16,534 (22.9% of net sales) up from \$16,022 (22.6% of net sales) in the third quarter of 2025. Selling and distribution spending was up \$1,849 over the fourth quarter spending of \$14,685 in 2024 (23.8% of net sales) primarily due to freight, warehousing and commission costs.

General and administrative expenses of \$2,268 (3.1% of net sales) in the fourth quarter are up 18.1% (or \$347) over the previous quarter's spending of \$1,921 (2.7% of net sales). This quarter's spending was up \$393 compared to the fourth quarter of 2024 general and administrative expenses of \$1,875 (3.0% of net sales).

INCOME FROM OPERATING ACTIVITIES

This quarter's income from operating activities was \$3,306 (4.6% of net sales). This is down from the prior quarter of \$5,733 (8.1% of net sales) and down from the fourth quarter of 2024 amount of \$6,949 (11.3% of net sales).

INTEREST

The fourth quarter net interest expense was \$511 compared to an expense of \$742 for the fourth quarter 2024. Contributing to the reduction in net interest expense, the quarter's average cash balance increased \$9.8 million and long-term debt reduced \$5.2 million, while lease liabilities were up \$9.4 million as additional space is secured to complement the growth of the business.

The following is a breakdown of net interest expense:

Three months ending	December 31, 2025	December 31, 2024
Long term debt interest	\$ 587	\$ 643
Bank indebtedness interest	3	34
Interest expense	\$ 590	\$ 677
Interest income earned on cash	(317)	(133)
Net interest expense before leases	\$ 273	\$ 544
Interest expense leases	238	198
Net interest expense	\$ 511	\$ 742

FOREIGN EXCHANGE TRANSACTIONAL IMPACT

During the fourth quarter of 2025, the Company recognized a loss on transactional foreign exchange of \$534 compared to a loss of \$14 in the three months ended December 31, 2024. The loss is primarily driven by the strengthening of the Canadian dollar against the US dollar.

INCOME TAX EXPENSE

Fourth quarter tax expense was \$309 and 13.9% of income before taxes, which brings the overall year's tax rate to 24.1% of income before taxes. The decrease in the Company's effective tax rate is primarily due to the jurisdictional mix of income.

MANAGEMENT DISCUSSION AND ANALYSIS

NET INCOME FOR THE PERIOD

Net income of \$1,920 (2.7% return on net sales) was recognized for the fourth quarter ending December 31, 2025. This is down from a net return of \$3,858 (5.5% return on net sales) in the previous quarter and down from the net return of \$4,806 (7.8% return on net sales) recognized in the fourth quarter of 2024.

FOREIGN EXCHANGE TRANSLATION OF FOREIGN OPERATIONS

The translation adjustment for the fourth quarter of 2025 was a loss of \$659 compared to a translation gain of \$2,095 in the fourth quarter of 2024.

TOTAL COMPREHENSIVE INCOME

Comprehensive income for the fourth quarter ended December 31, 2025, was \$1,261 (1.7% of net sales) down from the three months ended December 31, 2024, of \$6,901 (11.2% of net sales) and down from the previous quarter's total comprehensive income of \$4,509 (6.4% of net sales).

FULL YEAR RESULTS

NET SALES

Net sales of \$281,406 in 2025 were up 14.9% from \$244,898 reported in 2024. Foreign exchange had a positive impact of \$4,220 in 2025, accounting for 1.7% of the increase. In local currencies, the Canadian market was up 12.6%, the US market was up 14.7% while UK, European and International markets were flat. Including the impact of foreign exchange, US net sales were up 17.0% and UK, European and International markets were up 5.2%.

GROSS PROFIT

In 2025, gross profit was \$94,587 or 33.6% of net sales compared to \$90,901 or 37.1% achieved in 2024. Foreign exchange had a positive impact of \$969 in 2025. Removing the foreign exchange impact in 2025, gross margin would be 33.3%. The decline in margin is primarily attributed to the impact of US tariffs.

SELLING AND DISTRIBUTION, GENERAL AND ADMINISTRATIVE, AND LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Selling and distribution, general and administrative expenses and loss on the disposal of property plant and equipment of \$72,294 (25.7% of net sales) was up 14.2% compared to the 2024 spend of \$63,301 (25.8% of net sales). Of the change, \$880 (1.4% of net sales) can be attributed to foreign exchange. This compares to a year-over-year net sales increase of 14.9%.

Selling and distribution expenses of \$64,118 increased \$7,932 or 14.1% compared to 2024, in line with revenue growth of 14.9%. Foreign exchange had the impact of increasing costs by \$785. Including the foreign exchange impact, freight and warehousing expenses are up \$4,774 or 15.0% while selling expenses are up \$2,918 or 13.3% largely driven by commission costs.

General and administrative expenses of \$8,130 were up \$1,029 or 14.5% compared to 2024 spending levels of \$7,101. Foreign exchange had the impact of increasing costs by \$95. The largest driver of the cost increase came from salary and outside services costs.

The impact from the loss on the disposal of property, plant and equipment was \$46. This compares to a loss of \$14 recognized in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME FROM OPERATING ACTIVITIES

Overall, 2025 income from operating activities was \$22,293 (7.9% of net sales) which is down compared to 2024 income from operating activities of \$27,600 (10.6% of net sales).

INTEREST

Net interest expense was \$2,334 compared to an expense of \$2,875 for 2024. Contributing to the reduction in net interest expense, the year's average cash balances increased \$12.2 million and long-term debt reduced \$4.2 million, while lease liabilities were up \$6.6 million as additional space was secured to complement the growth of the business.

The following is a breakdown of net interest expense:

Twelves months ending	December 31, 2025	December 31, 2024
Long term debt interest	\$ 2,359	\$ 2,566
Bank indebtedness interest	20	249
Interest expense	\$ 2,379	\$ 2,815
Interest income earned on cash	(910)	(595)
Net interest expense before leases	\$ 1,469	\$ 2,220
Interest expense leases	865	655
Net interest expense	\$ 2,334	\$ 2,875

FOREIGN EXCHANGE TRANSACTIONAL IMPACT

The foreign exchange translation adjustment for 2025 was a loss of \$829, compared to a loss of \$221 in 2024. The Canadian dollar averaged 2024 at \$1.00 USD to \$1.369 CAD and closed 2024 at \$1.00 USD to \$1.439 CAD. The Canadian dollar averaged 2025 at \$1.00 USD to \$1.397 CAD and closed 2025 at \$1.00 USD to \$1.371.

INCOME TAX EXPENSE

2025 tax expense of \$4,586 was 24.1% of income before income tax. This compares to a 2024 tax expense of \$6,148 which was 25.1% of income before income tax. The decrease in the Company's effective tax rate is primarily due to the jurisdictional mix of income.

NET INCOME FOR THE YEAR

Net income for the year ending December 31, 2025, was \$14,408 (5.1% of net sales) compared to the prior year net income of \$18,374 (7.5% of net sales).

FOREIGN EXCHANGE TRANSLATION OF FOREIGN OPERATIONS

During 2025, a loss of \$1,627 on translational foreign exchange was recorded compared to a gain of \$2,842 in 2024.

TOTAL COMPREHENSIVE INCOME

Comprehensive income for 2025 was \$12,781 (4.5% of net sales) compared to comprehensive income of \$21,216 (8.7% of net sales) in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

SELECTED ANNUAL INFORMATION

Consolidated Statements of Comprehensive Income	2025	2024	2023
Net sales	\$ 281,406	\$ 244,898	\$ 238,285
Income from operating activities	22,293	27,600	28,088
Net income for the year	14,408	18,374	18,761
Per share - basic & fully diluted net earnings for the year	\$1.27	\$1.62	\$1.66
Consolidated Statement of Financial Position	2025	2024	2023
Total assets	\$ 235,130	\$ 214,789	\$ 189,758
Total funded debt and lease liabilities	60,299	56,728	56,451
Working capital	67,705	56,044	43,075
Net cash generated from operating activities	25,473	33,665	16,895
Dividends declared and paid	680	680	680
Shareholders' equity	\$ 131,636	\$ 119,535	\$ 98,999

CAPITAL RESOURCES AND LIQUIDITY

Net cash generated in operating activities for 2025 was \$25,473 (2024 – generated \$33,665). Cash flows from financing activities used \$10,167 primarily to pay down long-term debt and support leases (2024 – used \$7,371). Net cash used in investing activities was \$5,778 (2024 – used \$12,039).

Trade and other receivables of \$36,186 as at December 31, 2025 have increased 11.4% compared to 2024. The increase can be attributed to higher net sales and timing of incoming payments in the corresponding periods.

The year-end investment in inventory of \$64,197 saw a decrease of 3.7% from the 2024 inventory value of \$66,654. Inventory turnover increased to 2.9 from 2.3 in 2024 (cost of sales for the year divided by the twelve-month average inventory level). Turns of 2 to 3 reflect our historical levels. The Company's value statement hinges on having our standard product on our shelves.

Trade and other liabilities increased by \$6,335, or 24.0% over 2024 to \$32,721. Total long-term debt, lease liabilities and bank indebtedness increased by \$3,571 over the prior year to \$60,299 primarily due to new leases entered into in 2025. The Company's debt-to-equity ratio at year-end (excluding lease liabilities) was approximately 0.27:1 (2024 - 0.35:1). The debt-to-equity ratio inclusive of the lease liabilities was 0.46:1 (2024 - 0.47:1). Debt is made up of Bank Indebtedness, Long-term Debt and Lease Liabilities.

Total dividends paid in 2025 were \$680 (2024 - \$680).

Property, plant, equipment and intangible asset additions, excluding right of use assets, in 2025 were \$5,778 compared to \$12,039 in 2024.

The overall cash position increased by \$8,361 primarily reflecting cash generated from operations and working capital movements, less capital expenditures on property, plant and equipment and the repayment of outstanding debt and leases, compared to a cash position increase of \$15,820 in 2024. The excess cash will be utilized to fund future growth projects.

During 2025, the Company renewed and entered into several facility leases in key operating locations to support current operations and anticipated growth. These leases primarily relate to warehouse and

MANAGEMENT DISCUSSION AND ANALYSIS

manufacturing space and reflect management's assessment of long-term operational requirements in each region.

As a result of these activities, lease liabilities increased during the year. Substantially all lease commitments discussed in this MD&A are recognized as right-of-use assets and lease liabilities in the consolidated financial statements in accordance with IFRS 16.

The Company is compliant with all the bank covenants as at December 31, 2025, and the credit facilities are well designed to meet expected on-going requirements.

As at December 31, 2025 contractual obligations showing demand loans as current are as follows:

Contractual obligations (In thousands)	Total	Current	1-2 Years	2-3 Years	3-4 Years	4-5 Years	After 5 Years
Long-term debt	\$ 35,097	\$ 31,678	\$ 1,551	\$ 1,553	\$ 315	\$ -	\$ -
Lease Liabilities	25,202	3,926	3,540	3,471	3,249	3,134	7,882
Total contractual obligations	\$ 60,299	\$ 35,604	\$ 5,091	\$ 5,024	\$ 3,564	\$ 3,134	\$ 7,882

As at December 31, 2025 contractual obligations based on repayment not being called early are as follows:

Contractual obligations (In thousands)	Total	Current	1-2 Years	2-3 Years	3-4 Years	4-5 Years	After 5 Years
Long-term debt	\$ 35,097	\$ 7,249	\$ 2,082	\$ 25,451	\$ 315	\$ -	\$ -
Lease Liabilities	25,202	3,926	3,540	3,471	3,249	3,134	7,882
Total contractual obligations	\$ 60,299	\$ 11,175	\$ 5,622	\$ 28,922	\$ 3,564	\$ 3,134	\$ 7,882

In addition to the contractual obligations above, the Company has current obligations of \$1,503 (2024 - \$998) against open purchase orders for outstanding capital expenditures.

The Company also has open purchase commitments with RITEC as at December 31, 2025 of \$1,124 (2024 - \$985). This expenditure should be completed in the first half of 2026.

SHARE CAPITAL

As of March 10, 2026, 8,556,000 Class A subordinate voting shares and 2,778,300 Class B common shares were issued and outstanding. The Company also has a management share option plan, with no options currently outstanding.

EBITDA

EBITDA for 2025 was \$32,367 compared to an EBITDA of \$37,215 achieved in 2024.

EBITDA adjusted for transactional impact of foreign exchange was \$33,196 (or 11.8% of net sales) in 2025 compared to an adjusted EBITDA of \$37,436 (or 15.3% of net sales) in 2024. EBITDA and adjusted EBITDA are calculated as outlined in the following table.

The reconciliation of Net Earnings to Earnings Before Interest, Taxes Depreciation and Amortization (EBITDA)* and Adjusted EBITDA* is as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

	Year Ended:		Three Months Ended:	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Net income for the period	\$ 14,408	\$ 18,374	\$ 1,920	\$ 4,806
Add				
Income tax expense	4,586	6,148	309	1,502
Depreciation and amortization	7,449	6,840	1,893	2,506
Right-of-use depreciation	3,590	2,978	970	982
Finance costs on debt	1,469	2,220	273	82
Right-of-use finance costs	865	655	238	198
Subtotal	17,959	18,841	3,683	5,270
EBITDA*	\$ 32,367	\$ 37,215	\$ 5,603	\$ 10,076
Add:				
FX transactional loss	829	221	534	14
Adjusted EBITDA *	\$ 33,196	\$ 37,436	\$ 6,137	\$ 10,090

* EBITDA and Adjusted EBITDA are non-IFRS earnings measures, therefore they do not have any standardized meaning prescribed by International Financial Reporting Standards and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA removes the impact of foreign exchange transactional losses so management can assess the impact of this on the operating results. Management uses these measurements to evaluate the operating results of the Company. These measures are also important to management since they are used by the Company's lenders to evaluate the ongoing cash generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA and Adjusted EBITDA to be useful information because they provide measures of the Company's operating performance.

ENVIRONMENTAL ISSUES

The Company holds a vacant investment property located at 2 Glen Road, Georgetown (the Glen Ewing Property) which is 50% co-tenancy with Hammond Power Solutions Inc. (HPSI). The soil has been contaminated by diesel oil, which is believed to be related to site operations of prior owners. The Company and HPSI, as co-tenants, have been working co-operatively with an environmental consultant, the Ministry of the Environment, Conservation and Parks (MECP) and the adjacent property owner to contain and remove any free-flowing contaminants. The parties have cooperatively developed a remediation action plan to contain and remove any free-flowing contaminants and began remediation in October 2009. The MECP is aware of the remediation and the process being used. It does not include obtaining a record of site condition. The Company's estimate of the remaining portion of the environmental remediation costs for the October 2009 plan for this site is \$225 (2024 - \$225) with \$80 (2024 - \$80) presented as a current liability in the consolidated financial statements. The provision covers the next four years' activities.

In March 2024, the MECP performed an inspection of the Glen Ewing Property which resulted in the MECP recommending certain additional remedial actions including further monitoring and implementation of systems to prevent migration of certain other contaminants. The MECP did not issue a formal regulatory order. However, a formal order may be issued if certain steps are not taken. The costs of the additional remedial actions are currently contingent on the completion of a feasibility study. The anticipated costs will be based on an external consultant's remediation plan and management's estimate, discounted for expected timing of expenditures. The cost of the initial feasibility study is estimated to be between \$50 - \$100, and shared with Hammond Power Solutions Incorporated. No

MANAGEMENT DISCUSSION AND ANALYSIS

amounts have been accrued as at December 31, 2025. The contamination did not result from the normal operations of the Company.

A third-party statement of claim was issued on March 6, 2019, against the Company with respect to an adjacent property to one of its Waterloo facilities. Records do not show any spills of chemicals at this location and management has made the decision not to make any provision/contingency in these consolidated financial statements.

Other than the above noted sites, management is not aware of any unusual or significant environmental issues.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management periodically reviews its estimates and underlying assumptions relating to the following items:

i) Inventory

Inventories are valued at the lower of cost or net realizable value. Estimates are required to allocate purchase price variances and manufacturing absorption based on average inventory turns. When necessary, the write-down of inventory to its net realizable value is recorded as a result of industry conditions. We have made certain assumptions when determining expected future demand by utilizing information such as inventory quantities and aging, historical sales of inventory and general market understanding. Reductions in demand for certain of our inventories or declining market values, as well as differences between actual results and the assumptions utilized by us when determining the market value of our inventories, could result in the recognition of write-down expenses in future periods.

ii) Amortization

Management makes estimates of the appropriate useful lives to be assigned to intangible assets based on the individual circumstances of an acquisition. Management reviews the appropriateness of the lives assigned and adjusts prospectively, where necessary.

iii) Impairment tests

Management makes estimates of sustainable earnings, future expected cash flows and discount rates in the determination of the value-in-use or fair value less costs of disposal of cash-generating units ("CGUs").

iv) Provision against accounts receivable

Management makes estimates on the expected credit losses ("ECLs") of accounts receivable balances based on customer specific facts and circumstances as well as experience of write-offs. Changes in the economic conditions in which the Company's customers operate and their underlying financial stability may impact on these estimates.

MANAGEMENT DISCUSSION AND ANALYSIS

v) Employee future benefits

Management estimates the discount rates, retirement age and future costs of benefits associated with providing future employee benefits and exercises judgment to determine how many employees will utilize these benefits.

vi) Tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

vii) Depreciation

Management estimates future residual values and the rate at which the useful lives of property and equipment are consumed to determine appropriate depreciation charges. Estimates of residual value and useful lives are based on data and information from various sources, including vendors, industry practice and Company-specific history. Management reviews the appropriateness of the lives assigned and adjusts prospectively, where necessary.

viii) Property value

Management estimates the value of the investment property to assess if impairment has occurred. The estimate is made by reviewing local land prices and current sales of similar properties as well as property tax value assessment.

ix) Environmental remediation:

Management estimates the value to complete the remediation project on the Glen Ewing Property each year by reviewing the project status and activities still to be completed. Any changes to the project scope are updated in the cost estimation model and any change in the required reserve is recorded in the current year.

x) Sales returns:

Management estimates the value of product that will be returned based on a historical analysis. Any change to the estimate is recorded as a reduction of revenue in the current period.

xi) Leases:

For the purpose of initial and subsequent measurement of leases the Company utilizes a discounted interest rate in the lease that is readily available or the Company's incremental borrowing rate. The Company also utilizes its best estimate of any costs to dismantle and remove the assets at the end of the lease.

Use of judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments that affect the application of accounting policies and the interpretation of accounting

MANAGEMENT DISCUSSION AND ANALYSIS

standards. Management periodically reviews its judgments and underlying assumptions relating to the following items:

xii) Provision for claims

Judgment is exercised in deciding whether a liability for a claim meets the criteria of a present obligation and in assessing the probability of the outflow of economic resources.

xiii) Leases

The Company exercises judgement as to whether it is likely to extend the term of the lease when the option is provided.

xiv) Impairment tests

Management exercises judgment to determine whether there are factors that would indicate that an asset or a CGU is impaired. The determination of CGUs is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about the Company's operations.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The purpose of internal controls over financial reporting as defined by the Canadian Securities Administrators is to provide reasonable assurance that:

- (i) financial statements prepared for external purposes are in accordance with the Company's Generally Accepted Accounting Principles,
- (ii) transactions are recorded as necessary to permit the preparation of financial statements, and records are maintained in reasonable detail,
- (iii) receipts and expenditures of the Company are made only in accordance with the authorizations of the Company's management and directors, and
- (iv) unauthorized acquisitions, uses or dispositions of the Company's assets that could have a material effect on the financial statements will be prevented or detected to prevent material error in financial statements.

Internal controls over financial reporting, no matter how well designed have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Evaluation of Disclosure Controls and Procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures. Under the supervision and with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer

MANAGEMENT DISCUSSION AND ANALYSIS

(CFO), management evaluated the effectiveness of the Company's disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to management, including the Company's certifying officers, as appropriate to allow timely decisions regarding required disclosure. Management concluded that the Company's disclosure controls and procedures were effectively designed as at the December 31, 2025 year end.

Evaluation of Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining internal control over financial reporting. Under the supervision and with the participation of the Company's CEO and the CFO, management evaluated the effectiveness of the Company's internal control over financial reporting. Internal control is a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements. The CEO and CFO did not identify any material weaknesses in their evaluation of internal control, and concluded that the Company's internal control over financial reporting was effective, as at December 31, 2025.

RISKS AND UNCERTAINTIES

As with most businesses, the Company is subject to a few marketplaces, industry and economic related business risks, which could have some material impact on operating results.

These risks include:

- Security Breaches or Disruptions of Information Technology Systems Risk;
- Key personnel;
- The cyclical effects, unpredictability and volatility of market driven commodity costs, raw materials such as copper and steel pricing and supply and demand;
- A significant, unexpected change in the global demand for resources;
- The variability of the Canadian dollar versus the US dollar;
- Rising interest rates;
- Economic slowdown in the US and Canada;
- Trade restrictions;
- Labour costs and labour relations;

MANAGEMENT DISCUSSION AND ANALYSIS

- Competition;
- Global political unrest; and
- Tariffs

The Company continuously works to minimize the negative impact of these risks and strengthen its position through diversification of its core business, market channel expansion, geographic diversity of its operations and business hedging strategies. There are, however, several risks that deserve particular attention.

Security Breaches or Disruptions of Information Technology Systems Risk

The Company utilizes a variety of information technology systems to manage and operate its businesses. These information systems may be owned and maintained by the Company, outsource providers or third parties such as customers, vendors and contractors. These information systems are subject to attacks, failures, and access denials from several potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, hard drives, communication lines and networking equipment. Despite the implementation of extensive security measures (including access controls, data encryption, vulnerability assessments, continuous monitoring, and maintenance of back-up and protective systems), the Company's information technology systems are potentially vulnerable to interruptions or delays, unauthorized access, computer viruses, cyber-attack and other events, ranging from individual attempts to advanced persistent threats. It is possible a security breach could result in theft of trade secrets or other intellectual property or disclosure of confidential customer, supplier or employee information. Should the Company be unable to prevent security breaches, disruptions could have an adverse effect on the Company's operations and financial results, as well as expose the Company to litigation, increased cyber security protection costs, and reputational damage.

Key Personnel

The Company is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its business plan. If the Company were to experience a substantial turnover in its leadership or other key employees, business results from operations and financial condition could be materially adversely affected.

Commodity Prices

The Company is exposed to fluctuations in the price of commodity metals, primarily steel and copper. The Company does not currently utilize future contracts. Strategic supply agreements are in place with major suppliers to ensure adequate supply and competitive market pricing.

Foreign Exchange

The Company's operating results are reported in Canadian dollars. A significant portion of net sales is denominated in US dollars. A change in the value of the Canadian dollar against the US dollar will impact revenues and earnings. This risk is partially offset by a corresponding change in the cost of materials purchased from the US and commodities tied to US dollar pricing. In general, a lower value for the Canadian dollar compared to the US dollar will have a beneficial impact on the Company's results; or, inversely, a higher value for the Canadian dollar compared to the US dollar will have a negative impact on the Company's profitability. In a sensitivity review, a one cent change in the value of the Canadian to US dollar value would have an approximate impact on income from operations of \$1,444 in 2025. The Company also has a US operating subsidiary and US dollar assets. The exchange rate between the

MANAGEMENT DISCUSSION AND ANALYSIS

Canadian and US dollar can vary significantly from year to year. There is a corresponding positive or negative impact to the Company's Consolidated Statements of Comprehensive Income solely related to the foreign exchange translation of its Consolidated Statements of Financial Position. The Company periodically institutes price increases / reductions to help offset the negative / positive impact of changes in foreign exchange and product cost increases / decreases. The Company is also exposed to the impact from the British pound sterling and the Euro as well as to the Australian dollar but not to the level of exposure of the US dollar.

Interest Rates

The Company is cognizant that a rise in interest rates negatively impacts the financial results of the Company. The Company continuously reviews its strategy of mitigating this risk by fixing interest rates on part of its total debt.

North American Economy

The Company will continue to react to the market conditions to grow its business. Efforts over the next 12 months will continue to be on projects that will reduce costs and improve manufacturing flexibility. Being nimble as an organization will become even more important in order to respond quickly to both unexpected opportunities as well as challenges. Expanding access to a variety of markets, both global and domestic, through our OEM and distributor channels will help the Company expand its market share.

Global Political Unrest

Today's politics can have significant repercussions on business, especially as issues are constantly changing. The Company continuously assesses the potential outcomes of the different issues and remains diligent to react to or mitigate those issues that would have a negative impact on business.

Tariffs

Tariffs from the US have created disruption within the supply chain due to enhanced compliance requirements and cost impacts. At this time, The Company is awaiting completion of the review of the Canada-United States-Mexico Agreement and associated Section 232 tariffs. The Company will remain diligent on the topic and be prepared to react as needed to support the business.

ACCOUNTING POLICY CHANGES

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Company.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments introduce a new accounting model which impacts how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction.

The amendments were adopted on January 1, 2025. The impact of adoption of these amendments did not have an impact on the business.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On October 31,

MANAGEMENT DISCUSSION AND ANALYSIS

2022, the IASB issued Non-current Liabilities with Covenants (amendments to IAS 1), to improve the information a company provides about long-term debt with covenants.

The amendments were adopted on January 1, 2025. The impact of adoption of these amendments did not have an impact on the business.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

On May 25, 2024, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the Company's liabilities and cash flows, and the Company's exposure to liquidity risk.

The amendments were adopted on January 1, 2025. The Company does not have any supplier financing arrangements and therefore the impact of the adoption of these amendments did not have an impact on the business.

FUTURE ACCOUNTING CHANGES

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company and it is still to be determined if any will have a material impact or if they are applicable for the Company's financial statements.

Lack of Exchangeability (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates)

Effective for annual periods beginning on or after 1 January 2026.

The amendments clarify how an entity determines the exchange rate when a currency is not exchangeable and introduce related disclosure requirements.

The Company is assessing whether circumstances of lack of exchangeability exist in any of the jurisdictions in which it operates and, if so, how the amendments may affect the determination of exchange rates and related disclosures. At the date of these financial statements, the Company has not yet completed its assessment of the impact of these amendments.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures)

Effective for annual periods beginning on or after 1 January 2026

The amendments address:

- the classification and measurement of financial assets with environmental, social and governance (ESG) linked features; and
- the recognition of financial liabilities settled through electronic payment systems.

The Company is currently evaluating whether any of its financial instruments are affected by these amendments and the extent of any additional disclosure requirements. The

MANAGEMENT DISCUSSION AND ANALYSIS

Company does not expect the amendments to have a material impact on the classification of its existing financial assets; however, enhanced disclosures may be required.

Annual Improvements to IFRS Accounting Standards (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)

Effective for annual periods beginning on or after 1 January 2026

The annual improvements clarify or amend certain aspects of the referenced standards, primarily to address unintended consequences or clarify wording.

The Company does not expect these amendments to have a material impact on its consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

Effective for annual periods beginning on or after 1 January 2026

The amendments provide specific guidance on the application of hedge accounting and disclosure requirements for contracts that reference electricity generated from nature-dependent sources.

The Company is assessing whether it enters into contracts within the scope of these amendments. Based on preliminary analysis, the Company does not expect a material impact on recognition and measurement but may be subject to additional disclosures.

IFRS 18 – Presentation and Disclosure in Financial Statements

Effective for annual periods beginning on or after 1 January 2027

IFRS 18 introduces a new structure for the statement of profit or loss, including defined subtotals, enhanced requirements for aggregation and disaggregation, and new disclosure requirements for management-defined performance measures.

The Company is assessing the impact of IFRS 18 on the presentation of its primary financial statements and related disclosures. While IFRS 18 will not affect the recognition or measurement of items, it is expected to significantly affect the presentation and disclosure of financial performance. The quantitative impact has not yet been determined.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements are the responsibility of the management of Hammond Manufacturing Company Limited. These statements have been prepared in accordance with IFRS Accounting Standards, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements and other financial information contained in the report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgment and have been properly reflected in the accompanying consolidated financial statements.

Management is responsible for the maintenance of a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors assists in exercising its responsibilities through the Audit Committee of the Board, which is composed of four non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend the approval of the consolidated financial statements to the Board of Directors.

KPMG LLP, the independent auditors appointed by the shareholders, has audited the Company's consolidated financial statements in accordance with Canadian generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the financial reporting process.



R.F. Hammond
Chairman & CEO



P. Heuts
CFO



A. Stirling
Secretary & EVP

Guelph, Ontario
March 10, 2026



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Canada
Tel 519 747 8800
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hammond Manufacturing Company Limited

Opinion

We have audited the consolidated financial statements of Hammond Manufacturing Company Limited (the Company), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the accuracy of the cost of inventories

Description of the matter

We draw attention to notes 2(d)(i), 3(c) and 5 to the financial statements.

The Company's inventory balance is \$64,197 thousand. Inventories, which consist of raw materials, work in process and finished goods are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, costs include an allocation of production overheads based on normal operating capacity. The Company uses the standard cost method to initially measure the cost of inventories. At period end, The Company assesses whether purchase price variances should be applied to ending inventory and adjusts the carrying value of ending inventory as appropriate so that the cost of inventories approximates cost determined on a first-in, first-out basis.

Why the matter is a key audit matter

We identified the assessment of the accuracy of the cost of inventories as a key audit matter given the magnitude of the inventories balance, the number and amount of purchase price variances and the number of products the Company holds, all of which increased the extent of audit effort needed to address the matter.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We tested a sample of inventory, recorded using the standard cost method, by inspecting the purchase invoices and we checked the recorded purchase price variance of the sampled inventory items to the underlying records;
- We tested a sample of production and conversion costs by inspecting to purchase invoices or payroll records;
- We assessed the application of accumulated purchase price variances to ending inventory based on the number of days of inventory on hand; and



- We assessed the application of costs of conversion to inventory based on the number of days of inventory on hand.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in dark ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Matthew Betik.

Kitchener, Canada

March 10, 2026

HAMMOND MANUFACTURING COMPANY LIMITED

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	December 31, 2025	December 31, 2024
Assets			
Current assets:			
Cash		\$ 33,071	\$ 24,710
Trade and other receivables	4, 26	36,186	32,491
Income taxes receivable		2,344	96
Inventories	5	64,197	66,654
Prepaid expenses		2,355	2,134
Total current assets		138,153	126,085
Non-current assets:			
Property, plant and equipment	6	70,044	72,150
Intangible assets and goodwill	7	395	383
Right-of-use assets	8	23,661	14,135
Investment property	9	1,044	1,044
Equity investment	10	1,004	992
Deferred tax assets	17	829	-
Total non-current assets		96,977	88,704
Total assets		\$ 235,130	\$ 214,789
Liabilities			
Current liabilities:			
Bank indebtedness	11	\$ -	\$ 283
Trade and other payables	14	32,721	26,386
Income taxes payable		1,273	3,177
Current portion of provisions	15	690	500
Current portion of employee future benefits	16	160	140
Current portion of long-term debt	12	31,678	36,238
Current portion of lease liabilities	8	3,926	3,317
Total current liabilities		70,448	70,041
Non-current liabilities:			
Provisions	15	145	145
Employee future benefits	16	440	310
Long-term debt	12	3,419	4,897
Lease liabilities	8	21,276	11,993
Deferred tax liabilities	17	7,766	7,868
Total non-current liabilities		33,046	25,213
Total liabilities		103,494	95,254
Equity:			
Share capital	19	10,249	10,249
Contributed surplus		290	290
Accumulated other comprehensive income		4,001	5,628
Retained earnings		117,096	103,368
Total equity		131,636	119,535
Total liabilities and equity		\$ 235,130	\$ 214,789

The notes on pages 32 to 65 are an integral part of these consolidated financial statements.

HAMMOND MANUFACTURING COMPANY LIMITED

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars, except earnings per share)

	Note	Twelve Months Ended:	
		December 31, 2025	December 31, 2024
Net sales	27	\$ 281,406	\$ 244,898
Cost of sales		186,819	153,997
Gross profit		94,587	90,901
Selling and distribution		64,118	56,186
General and administrative		8,130	7,101
Loss on disposal of property, plant and equipment		46	14
Income from operating activities		22,293	27,600
Interest expense	13	(2,379)	(2,815)
Interest expense leases	13	(865)	(655)
Interest income	13	910	595
Foreign exchange (loss)		(829)	(221)
Net finance expense		(3,163)	(3,096)
Share of profit of equity accounted investee	10	5	110
Share of expenses from investment property	9	(141)	(92)
Income before income tax		18,994	24,522
Income tax expense	18	4,586	6,148
Net income for the period		\$ 14,408	\$ 18,374
Other comprehensive Income (Loss):			
Foreign currency translation for foreign operations, net of income tax		(1,627)	2,842
Total comprehensive income for the period		\$ 12,781	\$ 21,216
Earnings per share			
Basic earnings per share	22	\$ 1.27	\$ 1.62
Diluted earnings per share	22	\$ 1.27	\$ 1.62

The notes on pages 32 to 65 are an integral part of these consolidated financial statements.

HAMMOND MANUFACTURING COMPANY LIMITED

Consolidated Statements of Changes in Equity

For the years December 31, 2024 and December 31, 2025

(in thousands of Canadian dollars)

	Attributable to equity holders of the Company					
	Share Capital	Contributed Surplus	AOCI**	Retained earnings	Total equity	
Balance at January 1, 2024	\$ 10,249	\$ 290	\$ 2,786	\$ 85,674	\$ 98,999	
Net income for the year		-	-	18,374	18,374	
Other comprehensive income:						
Foreign currency translation differences	-	-	2,842	-	2,842	
Total comprehensive income for the period	-	-	2,842	18,374	21,216	
Transactions with owners, recorded directly in equity:						
Dividends to equity holders	-	-	-	(680)	(680)	
Balance at December 31, 2024	\$ 10,249	\$ 290	\$ 5,628	\$ 103,368	\$ 119,535	
Balance at January 1, 2025	\$ 10,249	\$ 290	\$ 5,628	\$ 103,368	\$ 119,535	
Net income for the year		-	-	14,408	14,408	
Other comprehensive loss:						
Foreign currency translation differences	-	-	(1,627)	-	(1,627)	
Total comprehensive income for the period	-	-	(1,627)	14,408	12,781	
Transactions with owners, recorded directly in equity:						
Dividends to equity holders	-	-	-	(680)	(680)	
Balance at December 31, 2025	\$ 10,249	\$ 290	\$ 4,001	\$ 117,096	\$ 131,636	

** Accumulated other comprehensive income (loss)

The notes on pages 32 to 65 are an integral part of these consolidated financial statements.

HAMMOND MANUFACTURING COMPANY LIMITED

Condensed Consolidated Statements of Cash Flow (in thousands of Canadian dollars)

For the Years ended Dec 31,	Note	2025	2024
Cash flows from operating activities			
Net income for the period		\$ 14,408	\$ 18,374
Adjustments for:			
Depreciation of property, plant and equipment	6	7,358	6,760
Amortization of intangible assets	7	91	80
Depreciation of right-of-use assets	8	3,590	2,978
Net Interest expense	13	1,469	2,220
Interest expense on leases	13	865	655
Income tax expense	18	4,586	6,148
Loss (gain) on disposal of property, plant and equipment		46	14
Provisions and employee future benefits		340	(3)
Equity investments		(21)	(16)
Change in inventory allowance for lower of cost or net realizable value	5	(486)	305
		32,246	37,515
Change in non-cash working capital:			
Inventories		2,961	1,308
Trade and other receivables		(4,493)	(255)
Prepaid expenses		(226)	(209)
Trade and other payables		6,637	1,026
Cash generated in operating activities		37,125	39,385
Interest expense paid	13	(2,379)	(2,815)
Interest income received	13	910	595
Interest paid on leases	13	(865)	(655)
Income tax paid		(9,318)	(2,845)
Net cash generated in operating activities		25,473	33,665
Cash flows from financing activities			
Bank indebtedness repayment		(289)	(193)
Payment of long-term debt	13	(5,954)	(3,741)
Payment of lease liabilities	13	(3,244)	(2,757)
Payment of dividends	19	(680)	(680)
Net cash used in financing activities		(10,167)	(7,371)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		6	12
Acquisition of property, plant and equipment	6	(5,683)	(11,979)
Intangible asset additions	7	(101)	(72)
Net cash used in investing activities		(5,778)	(12,039)
Net increase in cash		9,528	14,255
Cash at beginning of period		24,710	8,890
Foreign exchange gain / (loss) on cash and cash equivalents in a foreign currency		(1,167)	1,565
Cash at end of period		\$ 33,071	\$ 24,710

The notes on pages 32 to 65 are an integral part of these consolidated financial statements.

HAMMOND MANUFACTURING COMPANY LIMITED

Notes to Consolidated Financial Statements

Years ended December 31, 2025, and 2024

(amounts (except share amounts) in thousands of Canadian dollars)

1) Introduction:

a) Reporting entity:

Hammond Manufacturing Company Limited ("Hammond" or the "Company") is a public company traded on the Toronto Stock Exchange under the symbol "HMM.A" and is incorporated under the Ontario Business Corporations Act. The address of the Company's registered office is 394 Edinburgh Road North, Guelph, Ontario. The consolidated financial statements of the Company as at and for the year ended December 31, 2025, include the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in jointly controlled entities. The Group primarily is involved in the design, manufacture and sale of electrical and electronic components. Facilities are located in Canada, the US, the UK, Taiwan and Australia, with agents and distributors located worldwide. The Company also maintains a 40% ownership share of RITEC Enclosures Inc. (RITEC) located in Taiwan. RITEC produces plastic and die cast enclosures for sale through the Company's sales network and its own existing market channels.

2) Basis of preparation:

a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS).

The Board of Directors approved these consolidated financial statements on March 10, 2026.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis. Management has assessed the Company's ability to continue as a going concern and concluded that the going-concern basis of accounting is appropriate.

c) Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars. The functional currency of the Group's entities is the currency of their primary economic environment. Foreign currency translation differences are recognized in other comprehensive income which is included in accumulated other comprehensive income. The functional currency of the Company's subsidiary operations located in the US, UK, Netherlands, Taiwan and Australia are the US dollar, British pound sterling, Euro dollar, Taiwan dollar, and Australian dollar, respectively. The functional currency of the Company's Canadian operations is the Canadian dollar.

d) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management periodically reviews its estimates and underlying assumptions relating to the following items:

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i) Inventory

Inventories are valued at the lower of cost or net realizable value. Estimates are required to allocate purchase price variances and manufacturing absorption based on average inventory turns. When necessary, the write-down of inventory to its net realizable value is recorded as a result of industry conditions. Management has made certain assumptions including expected forecasted demand by utilizing information such as inventory quantities and aging, historical sales of inventory and general market understanding. Reductions in demand for certain of our inventories or declining market values, as well as differences between actual results and the assumptions utilized by us when determining the market value of our inventories, could result in the recognition of write-down expenses in future periods.

ii) Amortization

Management makes estimates of the appropriate useful lives to be assigned to intangible assets based on the individual circumstances of an acquisition. Management reviews the appropriateness of the lives assigned and adjusts prospectively, where necessary.

iii) Impairment tests

Management makes estimates of sustainable earnings, future expected cash flows and discount rates in the determination of the value-in-use or fair value less costs of disposal of cash-generating units ("CGUs").

iv) Provision against accounts receivable

Management makes estimates on the expected credit losses ("ECLs") of accounts receivable balances based on customer specific facts and circumstances as well as experience of write-offs. Changes in the economic conditions in which the Company's customers operate and their underlying financial stability may have an impact on these estimates.

v) Employee future benefits

Management estimates the discount rates, retirement age and future costs of benefits associated with providing employee future benefits and exercises judgment to determine how many employees will utilize these benefits.

vi) Tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

vii) Depreciation

Management estimates future residual values and the rate at which the useful lives of property and equipment are consumed to determine appropriate depreciation charges.

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Estimates of residual value and useful lives are based on data and information from various sources, including vendors, industry practice and Company-specific history. Management reviews the appropriateness of the lives assigned and makes adjustments prospectively, where necessary.

viii) Property value

Management estimates the value of the investment property to assess if impairment has occurred. The estimate is made by reviewing local land prices and current sales of similar properties as well as property tax value assessment.

ix) Environmental remediation:

Management estimates the value to complete the remediation project on the Glen Ewing Property each year by reviewing the project status and activities still to be completed. Any changes to the project scope are updated in the cost estimation model and any change in the required reserve is recorded in the current year.

x) Sales returns:

Management estimates the value of product that will be returned based on a historical analysis. Any change to the estimate is recorded as an increase or reduction of revenue in the current period.

xi) Leases:

For the purpose of initial and subsequent measurement of leases the Company utilizes a discount rate in the lease that is readily available or the Group's incremental borrowing rate. The Group also utilizes its best estimate of any costs to dismantle and remove the asset at the end of the lease.

e) Use of judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions relating to the following items:

i) Provision for claims

Management exercises judgement in deciding whether liability for a claim meets the criteria of the present obligation and in assessing the probability of the outflow of economic resources.

ii) Leases

Management exercises judgement as to whether it is likely to extend the term of a lease when the option is provided.

iii) Impairment tests

Management exercises judgement to determine whether there are factors that would indicate that an asset or a CGU is impaired. The determination of CGUs is also based on management's judgement and is an assessment of the smallest group of assets that

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generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about the Company's operations.

3) Summary of material accounting policies:

Except for the changes explained in "new standards and interpretations adopted" below, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. These accounting policies have been consistently applied by all Group entities.

a) Basis of consolidation:

The consolidated financial statements include the accounts of Hammond Manufacturing Company Limited, its wholly owned subsidiaries, Hammond Manufacturing Company Inc., Hammond Electronics Limited, Hammond Electronics Pty Limited, Les Fabrications Hammond (Quebec) Inc., Hammond Electronics Asia Limited, Hammond Electronics B.V. and its proportionate share of the Glen Ewing Property, an unincorporated co-tenancy (50%). All significant intercompany balances and transactions have been eliminated on consolidation. The consolidated financial statements include the investment in RITEC, which is accounted for using the equity method.

b) Revenue recognition:

The Company principally generates revenue through the manufacturing and sale of industrial enclosures, electronic enclosures, racks and cabinets, transformers and other products. Revenue is recognized when control of a product is transferred to a customer. This is generally at the point in time when product is available for physical delivery, and the customer has legal title to, physical possession of (or through their carrier), and the risks and rewards of ownership of the product have transferred; therefore, the customer is able to direct the use of and obtain substantially all of the benefits of the product. There is only a single performance obligation, except for where delivery is provided by Hammond after the point of transfer. Payment is typically due within 30 days to 60 days of shipment based on the customer status, with limited customers being granted extended terms of up to 90 days. As a result, consideration is generally fixed and does not contain any significant financing components.

Revenue is measured based on the consideration specified in a contract with a customer, net of variable consideration, including rebates, returns and discounts. Rebates are accrued using sales data and rebate percentages specific to each customer contract. Accruals for sales returns are calculated based on the best estimate of the amount of product that will ultimately be returned by customers. All customer receivables are expected to be paid within one year and therefore the Company does not adjust for the effects of a financing component.

Contract liabilities are recorded when cash payments are received or due in advance of the Company's performance.

c) Inventories:

Inventories are measured at the lower of cost, determined on a first-in, first-out basis, and net realizable value, and include expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and

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condition. In the case of manufactured inventories and work in progress, costs include an appropriate share of production overheads based on normal operating capacity. The Company uses the standard cost method to initially measure the cost of inventories. At period end, the Company assesses whether purchase price variances should be applied to ending inventory and adjusts the carrying value of ending inventory as appropriate so that the cost of inventories approximates cost, determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. When circumstances that previously gave rise to an inventory write down no longer exist, the previous impairment is reversed.

d) Investment property:

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The Group measures its investment property, being the land held by Glen Ewing Property, at historical cost.

e) Property, plant and equipment:

Property, plant and equipment are shown in the statements of financial position at their historical cost. Costs include expenditures that are directly attributable to the acquisition of the assets. Assets are amortized over their useful life on a straight-line basis, except for specific tooling items which are amortized based on units of production method.

The depreciation rates based on the estimated useful lives for the current and comparative periods are as follows:

Asset	Useful Life
Buildings	20 to 40 years
Office equipment	4 to 10 years
Machinery and equipment	4 to 10 years
Tooling general use	4 to 10 years
Tooling specific part	Based on anticipated life unit output

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

f) Intangible assets other than goodwill:

Intangible assets are stated at cost, less accumulated amortization. Intangible assets with a finite life are amortized using the straight-line method at rates calculated to amortize the cost of these assets over their estimated useful lives.

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The amortization rates based on the estimated useful lives for the current and comparative periods are as follows:

Asset	Straight-Line Method
Computer software	5 years
Development costs	5 years

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

g) Investments measured using equity method:

The Company uses the equity method as a basis of accounting for investments in companies over which it exercises significant influence or joint control. Under the equity method, the Company records these investments initially at cost and the carrying values are adjusted thereafter to include the Company's pro rata share of post-acquisition earnings of the investees, computed by the consolidation method. The adjustments are included in the determination of net income by the Company, and the investment accounts of the Company are also increased or decreased to reflect the Company's share of capital transactions (including amounts recognized in other comprehensive income). Profit distributions received from investees reduce the carrying values of the investments. Unrealized intercompany gains or losses are eliminated.

The Company uses the equity method to account for its 40% interest in RITEC.

h) Income taxes:

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Provisions:

Provisions may include liabilities of uncertain timing or amounts that arise from environmental, litigation, commercial or other risks. Provisions are recognized when a legal or constructive obligation exists stemming from a past event and when the future cash outflows can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

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j) Financial assets and financial liabilities:

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

Financial liabilities include bank indebtedness, trade and other payables and long-term debt.

k) Impairment:

i) Financial assets:

ECLs are recognized on all financial assets not carried at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ii) Non-financial assets:

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. The value in use is based on their future projected cash flows discounted to the present value at an appropriate pre-tax discount rate.

The Group completed its annual impairment test at December 31, 2025 and December 31, 2024, and concluded there was no impairment.

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l) Employee Benefits:

i) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the periods during which services are rendered by the employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction on future payments is available.

ii) Other long-term employee benefits:

The Group's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any related assets is deducted. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

iii) Termination benefits:

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

iv) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

m) Segment reporting:

The continuing operations of the Company are in one operating segment, electrical and electronic components.

n) Finance costs:

Finance costs consist of interest on borrowings and finance leases.

o) Government Grants:

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all the attached conditions.

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Government grants in respect of capital expenditures are credited to the carrying amount of the related assets and are released to income over the expected useful lives of the relevant assets. Government grants which are not associated with an asset are credited to income to net them against the expense to which they relate.

p) Leases:

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets:

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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- q) New standards and interpretations adopted:

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments introduce a new accounting model which impacts how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction.

The amendments were adopted on January 1, 2025. The impact of adoption of these amendments did not have an impact on the business.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (amendments to IAS 1), to improve the information a company provides about long-term debt with covenants.

The amendments were adopted on January 1, 2025. The impact of adoption of these amendments did not have an impact on the business.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

On May 25, 2024, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the Company's liabilities and cash flows, and the Company's exposure to liquidity risk.

The amendments were adopted on January 1, 2025. The Company does not have any supplier financing arrangements and therefore the impact of the adoption of these amendments did not have an impact on the business.

- r) New standards and interpretations have not yet been adopted (if applicable):

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group and it is still to be determined if any will have a material impact or if they are applicable for the Group's financial statements.

Lack of Exchangeability (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates)

Effective for annual periods beginning on or after 1 January 2026.

The amendments clarify how an entity determines the exchange rate when a currency is not exchangeable and introduce related disclosure requirements.

The Group is assessing whether circumstances of lack of exchangeability exist in any of the jurisdictions in which it operates and, if so, how the amendments may affect the determination of exchange rates and related disclosures. At the date of these financial statements, the Group has not yet completed its assessment of the impact of these amendments.

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Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures)

Effective for annual periods beginning on or after 1 January 2026.

The amendments address:

- the classification and measurement of financial assets with environmental, social and governance (ESG) linked features; and
- the recognition of financial liabilities settled through electronic payment systems.

The Group is currently evaluating whether any of its financial instruments are affected by these amendments and the extent of any additional disclosure requirements. The Group does not expect the amendments to have a material impact on the classification of its existing financial assets; however, enhanced disclosures may be required.

Annual Improvements to IFRS Accounting Standards (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)

Effective for annual periods beginning on or after 1 January 2026.

The annual improvements clarify or amend certain aspects of the referenced standards, primarily to address unintended consequences or clarify wording.

The Group does not expect these amendments to have a material impact on its consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

Effective for annual periods beginning on or after 1 January 2026.

The amendments provide specific guidance on the application of hedge accounting and disclosure requirements for contracts that reference electricity generated from nature-dependent sources.

The Group is assessing whether it enters into contracts within the scope of these amendments. Based on preliminary analysis, the Group does not expect a material impact on recognition and measurement but may be subject to additional disclosures.

IFRS 18 – Presentation and Disclosure in Financial Statements

Effective for annual periods beginning on or after 1 January 2027.

IFRS 18 introduces a new structure for the statement of profit or loss, including defined subtotals, enhanced requirements for aggregation and disaggregation, and new disclosure requirements for management-defined performance measures.

The Group is assessing the impact of IFRS 18 on the presentation of its primary financial statements and related disclosures. While IFRS 18 will not affect the recognition or measurement of items, it is expected to significantly affect the presentation and disclosure of financial performance. The quantitative impact has not yet been determined.

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4) Trade and other receivables:

	December 31, 2025	December 31, 2024
Trade receivables	\$ 35,865	\$ 32,158
Employee receivables	15	4
Other receivables	582	685
	36,462	32,847
Estimated credit losses	(276)	(356)
Trade and other receivables	\$ 36,186	\$ 32,491

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 26.

5) Inventories:

	December 31, 2025	December 31, 2024
Raw materials	\$ 16,690	\$ 16,015
Work-in-process	6,146	6,028
Finished goods	41,011	44,381
Right to recover returned goods	350	230
Inventories	\$ 64,197	\$ 66,654

Inventories carried at net realizable value	\$ 1,384	\$ 1,973
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In 2025, raw materials, and changes in finished goods and work in progress recognized as cost of sales amounted to approximately \$186,819 (2024 - \$153,997). In 2025, the write-down of inventories to net realizable value net of recovery was a recovery of \$486 (2024 expense of \$305). The current banking agreement pledges 40% of the inventory value as security, up to \$15,000.

6) Property, plant and equipment:

Cost						
	Land and buildings	Machinery and equipment	Tooling	Office equipment	Total	
Balance at December 31, 2023	\$ 44,909	\$ 73,243	\$ 13,292	\$ 3,428	\$ 134,872	
Additions	6,528	3,922	789	740	11,979	
Disposals	(227)	(575)	(255)	(50)	(1,107)	
Effect of movements in exchange rates	10	289	162	33	494	
Balance at December 31, 2024	\$ 51,220	\$ 76,879	\$ 13,988	\$ 4,151	\$ 146,238	
Additions	1,829	2,838	433	245	5,345	
Disposals	(494)	(432)	(30)	(92)	(1,048)	
Effect of movements in exchange rates	3	(96)	(61)	(8)	(162)	
Balance at December 31, 2025	\$ 52,558	\$ 79,189	\$ 14,330	\$ 4,296	\$ 150,373	

At December 31, 2025, the carrying amount of property, plant and equipment includes expenditures related to assets under construction that are not yet available for use and, accordingly, are not being amortized. These amounts totaled \$11 (2024 - \$Nil) for land and buildings, \$516 (2024 - \$786) for machinery and equipment, and \$60 (2024 - \$93) for tooling.

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Accumulated depreciation							
		Land and buildings	Machinery and equipment		Tooling	Office equipment	Total
Balance at December 31, 2023	\$	10,644	\$ 44,651	\$	9,915	\$ 2,845	\$ 68,055
Depreciation for the period		1,268	4,570		727	195	6,760
Disposals		(224)	(573)		(238)	(46)	(1,081)
Effect of movements in exchange rates		8	183		135	28	354
Balance at December 31, 2024	\$	11,696	\$ 48,831	\$	10,539	\$ 3,022	\$ 74,088
Depreciation for the period		1,366	4,809		873	310	7,358
Disposals		(489)	(385)		(30)	(92)	(996)
Effect of movements in exchange rates		3	(69)		(48)	(7)	(121)
Balance at December 31, 2025	\$	12,576	\$ 53,186	\$	11,334	\$ 3,233	\$ 80,329
Carrying amounts							
		Land and buildings	Machinery and equipment		Tooling	Office equipment	Total
At December 31, 2023	\$	34,265	\$ 28,592	\$	3,377	\$ 583	\$ 66,817
At December 31, 2024	\$	39,524	\$ 28,048	\$	3,449	\$ 1,129	\$ 72,150
At December 31, 2025	\$	39,982	\$ 26,003	\$	2,996	\$ 1,063	\$ 70,044

Depreciation of \$7,358 (2024 - \$6,760) was recorded in the consolidated statement of comprehensive income as follows: cost of sales \$6,782 (2024 - \$6,332), selling and distribution \$435 (2024 - \$369) and general and administrative \$141 (2024 - \$59).

Additions of property, plant and equipment include an offset of \$335 (2024 - \$nil) related to investment tax credits. This government assistance has been credited to the carrying amount of the related assets and is released to income over the expected useful lives of the relevant assets. This is a non-cash movement in PP&E since the funds have not yet been received.

7) Intangible assets and goodwill:

Cost						
		Goodwill	Computer software	Development costs		Total
Balance at December 31, 2023	\$	112	\$ 646	\$ 432	\$	1,190
Additions	\$	-	\$ 8	\$ 64	\$	72
Effect of movement in exchange rates		8	7	-		15
Balance at December 31, 2024	\$	120	\$ 661	\$ 496	\$	1,277
Additions	\$	-	\$ 82	\$ 19	\$	101
Effect of movement in exchange rates		3	(4)	-		(1)
Balance at December 31, 2025	\$	123	\$ 739	\$ 515	\$	1,377

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Amortization

		Goodwill	Computer software	Development costs	Total
Balance at December 31, 2023	\$	-	\$ 436	\$ 371	\$ 807
Amortization for the period	\$	-	\$ 55	\$ 25	\$ 80
Effect of movement in exchange rates		-	7	-	7
Balance at December 31, 2024	\$	-	\$ 498	\$ 396	\$ 894
Amortization for the period	\$	-	\$ 60	\$ 31	\$ 91
Effect of movement in exchange rates		-	(3)	-	(3)
Balance at December 31, 2025	\$	-	\$ 555	\$ 427	\$ 982

Carrying amounts

		Goodwill	Computer software	Development costs	Total
At December 31, 2023	\$	112	\$ 210	\$ 61	\$ 383
At December 31, 2024	\$	120	\$ 163	\$ 100	\$ 383
At December 31, 2025	\$	123	\$ 184	\$ 88	\$ 395

Amortization expense of \$91 (2024 - \$80) was recorded in the consolidated statement of comprehensive income as follows: cost of sales \$52 (2024 - \$42), selling and distribution \$20 (2024 - \$19) and general and administrative \$19 (2024 - \$19).

Impairment testing for CGUs:

The Company has defined its CGUs as each individual legal entity since each location is largely independent of the other entities and each is ultimately responsible for sales generated in their markets. The Company monitors performance through the use of profitability analysis based on the most recent business plan in place as at December 31, 2025.

8) Leases:

Right-of-use assets

		Buildings	Machinery and equipment	Office equipment	Trucks and Vehicles	Total
Balance at December 31, 2023	\$	16,898	\$ 338	\$ 28	\$ 3,052	\$ 20,316
Additions for the period		4,567	-	-	1,881	6,448
Disposals		-	-	-	(632)	(632)
Effect of movements in exchange rates		512	24	2	6	544
Balance at December 31, 2024	\$	21,977	\$ 362	\$ 30	\$ 4,307	\$ 26,676
Additions for the period		12,887	-	-	158	13,045
Disposals		-	-	-	(139)	(139)
Effect of movements in exchange rates		23	8	(1)	(3)	27
Balance at December 31, 2025	\$	34,887	\$ 370	\$ 29	\$ 4,323	\$ 39,609

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Accumulated depreciation						
	Buildings	Machinery and equipment	Office equipment	Trucks and Vehicles	Total	
Balance at December 31, 2023	\$ 8,502	\$ 68	\$ 7	\$ 1,361	\$	9,938
Depreciation for the period	2,218	35	5	720		2,978
Disposals	-	-	-	(632)		(632)
Effect of movements in exchange rates	247	6	1	3		257
Balance at December 31, 2024	\$ 10,967	\$ 109	\$ 13	\$ 1,452	\$	12,541
Depreciation for the period	2,716	37	6	831		3,590
Disposals	-	-	-	(139)		(139)
Effect of movements in exchange rates	(44)	2	-	(2)		(44)
Balance at December 31, 2025	\$ 13,639	\$ 148	\$ 19	\$ 2,142	\$	15,948

Carrying amounts						
	Buildings	Machinery and equipment	Office equipment	Trucks and Vehicles	Total	
At December 31, 2023	\$ 8,396	\$ 270	\$ 21	\$ 1,691	\$	10,378
At December 31, 2024	\$ 11,010	\$ 253	\$ 17	\$ 2,855	\$	14,135
At December 31, 2025	\$ 21,248	\$ 222	\$ 10	\$ 2,181	\$	23,661

Depreciation of \$3,590 (2024 - \$2,978) was recorded in the consolidated statement of comprehensive income as follows: cost of sales \$1,004 (2024 - \$801) selling and distribution \$2,560 (2024 - \$2,152) and general and administrative \$26 (2024 - \$25).

Total Lease obligations:

	December 31, 2025	December 31, 2024
Total Leases	\$ 25,202	\$ 15,310
Less current portion due in the next 12 months	(3,926)	(3,317)
Non-current leases	\$ 21,276	\$ 11,993

The Company leases warehouse and factory facilities. These leases typically run for a period of 5 years with an option to renew the lease after that date. Lease payments generally are renegotiated every five years to reflect current market rates.

The Company leases automobiles with a typical lease period of 3 years. The Company provides for a guaranteed residual value when the vehicle is turned in.

The Company's fleet trucks are generally leased for a five-year term after which they are turned in. The lease rates for the trucks are a fixed rate plus a variable charge per kilometer driven. The variable charge is excluded from the initial measurement of the lease liability and asset. The variable charge is expensed in the month it is incurred.

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The lease liabilities are secured by the related underlying assets. Future minimum lease payments are as follows:

Minimum lease payments due							
	Current	1-2 Years	2-3 Years	3-4 Years	4-5 Years	After 5 Years	Total
December 31, 2025							
Lease Payments	\$ 5,121	\$ 4,589	\$ 4,335	\$ 3,928	\$ 3,647	\$ 8,746	\$ 30,366
Finance Charge	(1,195)	(1,049)	(863)	(679)	(513)	(865)	(5,164)
Net Present Value	\$ 3,926	\$ 3,540	\$ 3,472	\$ 3,249	\$ 3,134	\$ 7,881	\$ 25,202

	Current	1-2 Years	2-3 Years	3-4 Years	4-5 Years	After 5 Years	Total
December 31, 2024							
Lease Payments	\$ 4,066	\$ 3,348	\$ 2,482	\$ 2,194	\$ 1,749	\$ 4,326	18,165
Finance Charge	(749)	(590)	(459)	(356)	(259)	(442)	(2,855)
Net Present Value	\$ 3,317	\$ 2,758	\$ 2,023	\$ 1,838	\$ 1,490	\$ 3,884	\$ 15,310

Lease payments not recognized as a liability:

The Company has elected not to recognize lease liabilities for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

Year to date	December 31st 2025	December 31, 2024
Short Term leases	\$ 499	\$ 616
Variable lease payments	140	55
Total	\$ 639	\$ 671

9) Investment property:

The Company has a 50% ownership of a property in Georgetown, Ontario (referred to as the Glen Ewing Property), which is classified as an investment property under IAS 40. It is a vacant plot of land and currently under environmental remediation. The property value represents the actual historical cost of the property. The fair value of this property cannot be reliably determined due to the following reasons:

Market Inactivity: The property is situated in a region with limited market activity, resulting in a lack of comparable sales data.

Unique Characteristics: Due to the state of the environmental condition of the property it is difficult to compare with other properties in the area.

Given these factors, the Company has opted to carry the property at its historical cost of \$1,044. The Company will continue to monitor the market conditions and reassess the valuation of the property in future reporting periods.

No independent evaluation has been performed. The property is currently vacant, and no income is derived from it. The Company's direct operating expense in 2025 related to the property was \$141 (2024 - \$92).

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10) Equity investment:

Since 2008, the Company has had 40% ownership of RITEC. All dividends paid since taking the 40% holding in 2008 have been reinvested in RITEC.

	2025	2024
Non-current Assets	\$ 199	\$ 259
Current Assets (including cash and cash equivalents)	3,334	3,183
Non-Current Liabilities	(512)	(515)
Current Liabilities (including non-current)	(1,147)	(1,083)
Net Assets (100%)	1,874	1,844
Percentage of Ownership	40%	40%
Group's Share of net assets (40%)	750	738
Dividend receivable	205	206
Foreign exchange impact	49	48
Carrying amount of interest in joint venture	1,004	992
Revenue	2,033	3,241
Cost of Sales	1,495	2,691
Selling Expenses	542	599
Net Profit	(4)	(49)
Loss on Exchange	(3)	(19)
Interest (and other Gains)	69	117
Income tax	(10)	(9)
Profit and total comprehensive income (100%)	52	40
Profit and total comprehensive income (40%)	21	16
Elimination of unrealised profit on downstream sales	(16)	94
Group's share of total comprehensive income	5	110
Dividends received by the Group	\$ -	\$ -

11) Bank indebtedness:

Bank indebtedness is due on demand and secured by inventories, a general assignment of trade receivables and a charge on specific assets of the Company. The Company has established operating lines for the entities in Canada, the US and the UK. The following chart depicts the amount utilized on each of the entities' lines of credit.

		December 31, 2025		December 31, 2024	
		Local currency	CAD	Local currency	CAD
Canadian entities	CAD	\$ -	\$ -	\$ -	\$ -
UK entity	GBP	£ -	-	£ 157	283
Bank indebtedness		\$ -	-	\$ 283	

Interest was payable at the rate of Canadian Overnight Repo Rate Average (CORRA) for all of 2024 and 2025.

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12) Long term debt:

	December 31, 2025	December 31, 2024
Demand term loan amortized over 25 years (expiring in Jan 2042) drawn in USD funds with a current fixed interest rate of 5.30% through November 2025 secured by the assets of HMCL. Monthly blended installments of 9 USD.	\$ -	\$ 1,763
Demand term loan amortized over 25 years (expiring in Dec 2041) drawn in CAD funds with a current fixed interest rate of 5.20% through December 2025 secured by the assets of HMCL. Monthly blended installments of 9 CAD.	-	1,213
Demand term loan amortized over 25 years (expiring in Jan 2042) drawn in CAD funds with a current fixed interest rate of 6.25% through December 2026 secured by the assets of HMCL. Monthly blended installments of 43 CAD.	5,274	5,460
Demand term loan amortized over 7 years (expiring in Oct 2025) drawn in CAD funds with a current fixed interest rate of 4.43% through October 2025 secured by the assets of HMCL. Monthly blended installments of 71 CAD.	-	693
Demand term loan amortized over 7 years (expiring in Dec 2025) drawn in CAD funds with a current fixed interest rate of 4.00% through December 2025 secured by the assets of HMCL. Monthly blended installments of 26 CAD.	-	309
Term loan amortized over 7 years (expiring in Nov 2028) drawn in CAD funds with a current fixed interest rate of 3.83% through November 2028 secured by the assets of HMCL. Monthly blended installments of 77 CAD.	2,544	3,353
Term loan amortized over 7 years (expiring in May 2029) drawn in CAD funds with a current fixed interest rate of 6.50% through May 2029 secured by the assets of HMCL. Monthly blended installments of 64 CAD.	2,351	2,947
Demand term loan amortized over 25 years (expiring in Feb 2049) drawn in CAD funds with a current fixed interest rate of 6.25% through July 2028 secured by the assets of HMCL. Monthly blended installments of 170 CAD.	24,928	25,397
Subtotal	\$ 35,097	\$ 41,135
Less current portion of long-term debt	31,678	36,238
Non-current long-term debt	\$ 3,419	\$ 4,897

Demand loans are classified as current liabilities as the Company does not have an unconditional right to defer settlement for at least twelve months.

The following reflects the aggregate number of principal payments required to meet the existing long-term debt obligations in each of the next five years if the loans are not placed on demand:

2026	\$ 7,249
2027	2,082
2028	25,451
2029	315
Thereafter	-
	\$ 35,097

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13) Interest expense

	December 31, 2025	December 31, 2024
Long term debt interest	\$ 2,359	\$ 2,566
Bank indebtedness interest	20	249
Interest expense	\$ 2,379	\$ 2,815
Interest income earned on cash	(910)	(595)
Net Interest Expense	\$ 1,469	\$ 2,220
Interest expense leases	\$ 865	\$ 655
Total Interest and lease interest expense	\$ 2,334	\$ 2,875

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Lease Liabilities	Long-term debt	Bank indebtedness	Total
Balance at December 31, 2023	\$ 11,293	\$ 44,727	\$ 431	\$ 56,451

Changes from financing cash flows

Repayment of lease liabilities	(2,757)	-	-	(2,757)
Repayment of borrowings	-	(3,741)	(193)	(3,934)
Total changes from financing cash flows	(2,757)	(3,741)	(193)	(6,691)

Liability related

Interest earned on cash	-	-	(595)	(595)
Interest expense	655	2,566	249	3,470
Net Interest (paid) / received	(655)	(2,566)	346	(2,875)
Impact of interest free term loan	-	-	-	-
Total liability-related other changes	-	-	-	-

Non-cash added liabilities	6,448	-	-	6,448
Foreign exchange impact	326	149	45	520
Balance at December 31, 2024	\$ 15,310	\$ 41,135	\$ 283	\$ 56,728

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(amounts (except share amounts) in thousands of Canadian dollars)

	Lease Liabilities	Long-term debt	Bank indebtedness	Total
Balance at December 31, 2024	\$ 15,310	\$ 41,135	\$ 283	\$ 56,728
Changes from financing cash flows				
Repayment of lease liabilities	(3,244)	-	-	(3,244)
Repayment of borrowings	-	(5,954)	(289)	(6,243)
Total changes from financing cash flows	(3,244)	(5,954)	(289)	(9,487)
Liability related				
Interest earned on cash	-	-	(910)	(910)
Interest expense	865	2,359	20	3,244
Net Interest (paid) / received	(865)	(2,359)	890	(2,334)
Total liability-related other changes	-	-	-	-
Non-cash added liabilities	13,045	-	-	13,045
Foreign exchange impact	91	(84)	6	13
Balance at December 31, 2025	\$ 25,202	\$ 35,097	\$ (0)	\$ 60,299

14) Trade and other payables:

	December 31, 2025	December 31, 2024
Trade payables	\$ 11,682	\$ 11,099
Non-trade payables and accrued expenses	21,039	15,287
	\$ 32,721	\$ 26,386

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

15) Provisions:

	Environmental remediation	Sales returns	Total
Balance at December 31, 2023	\$ 225	\$ 400	\$ 625
Provisions made during the period	51	5,077	5,128
Provisions used/reversed during the period	(51)	(5,057)	(5,108)
Balance at December 31, 2024	\$ 225	\$ 420	\$ 645
Provisions made during the period	86	6,421	6,507
Provisions used/reversed during the period	(86)	(6,231)	(6,317)
Balance at December 31, 2025	\$ 225	\$ 610	\$ 835
Non-current	145	-	145
Current	80	610	690
Balance at December 31, 2025	\$ 225	\$ 610	\$ 835

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Environmental Remediation

The Company holds a vacant investment property located at 2 Glen Road, Georgetown (the Glen Ewing Property) which is 50% co-tenancy with Hammond Power Solutions Inc. (HPSI). The soil has been contaminated by diesel oil, which is believed to be related to site operations of prior owners. The Company and HPSI, as co-tenants, have been working co-operatively with an environmental consultant, the Ministry of the Environment, Conservation and Parks (MECP) and the adjacent property owner to contain and remove any free-flowing contaminants. The parties have cooperatively developed a remediation action plan to contain and remove any free-flowing contaminants and began remediation in October 2009. The MECP is aware of the remediation and the process being used. It does not include obtaining a record of site condition. The Company's estimate of the remaining portion of the environmental remediation costs for the October 2009 plan for this site is \$225 (2024 - \$225) with \$80 (2024 - \$80) presented as a current liability in the consolidated financial statements. The provision covers the next four years' activities.

In March 2024, the MECP performed an inspection of the Glen Ewing Property which resulted in the MECP recommending certain additional remedial actions including further monitoring and implementation of systems to prevent migration of certain other contaminants. The MECP did not issue a formal regulatory order. However, a formal order may be issued if certain steps are not taken. The costs of the additional remedial actions are currently contingent on the completion of a feasibility study. The anticipated costs will be based on an external consultant's remediation plan and management's estimate, discounted for expected timing of expenditures. The cost of the initial feasibility study is estimated to be between \$50 - \$100, and shared with Hammond Power Solutions Incorporated. No amounts have been accrued as at December 31, 2025. The contamination did not result from the normal operations of the Company.

Sales Returns

The provision for sales returns is based on estimates from historical returns of product. The provision reflects the estimated sales value of the anticipated returns.

16) Employee future benefits:

The Company's net obligation in respect of its current and long-term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The terms of the agreements do not require the Company to fund these obligations as they accumulate. The Company has accounted for these post-employment benefits as defined benefit plans. The benefit plans are broken into two categories:

a) Benefit for post-employment health benefits:

If an employee meets the set criteria and retires between the age of 60 and 65, their health plan will continue until age 65.

b) Disability health coverage:

This benefit is for employees who are off work due to a covered disability. Health coverage will continue until they are off disability or reach the age of 65, whichever occurs first.

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In determining both the post-employment health benefit and the disability health coverage liabilities a 3.5% (2024 - 3.5%) per annum health cost increase and a discount rate of 4.0% (2024 - 4.0%) were utilized to determine its present value.

Assumed healthcare cost trend rates affect the amounts recognized in profit and loss. A 1% change in assumed healthcare cost trend rates would increase (decrease) the aggregate service and interest costs by \$28 (2024 - \$20). Changes in assumptions resulted in nominal gains/losses which have been included in general and administrative expense.

	December 31, 2025	December 31, 2024
Post employment health benefits	\$ 30	\$ 45
Employee health benefits while on disability	570	405
Total employee future benefits	\$ 600	\$ 450

	Post employment health benefits	Employee health benefits while on disability	Total
Balance at December 31, 2023	\$ 73	\$ 400	\$ 473
Provisions made during the period	(3)	168	165
Provisions used during the period	(25)	(163)	(188)
Balance at December 31, 2024	\$ 45	\$ 405	\$ 450
Provisions made during the period	1	403	404
Provisions used during the period	(16)	(238)	(254)
Balance at December 31, 2025	\$ 30	\$ 570	\$ 600
Non-current	12	428	440
Current	18	142	160
Balance at December 31, 2025	\$ 30	\$ 570	\$ 600

17) Deferred tax assets and liabilities:

Unrecognized deferred tax liabilities:

At December 31, 2025, temporary differences of \$38,772 (2024 - \$36,393) related to investments in subsidiaries were not recognized because the Company controls whether liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Recognized deferred tax liabilities:

Deferred tax assets and liabilities are attributable to the following:

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	December 31, 2025	December 31, 2024
Deferred tax assets		
Investment property	\$ 8	\$ 8
Inventories	868	989
Loans and borrowings	3,758	2,376
Provisions	1,327	281
Total deferred tax assets	5,961	3,654
Deferred tax liabilities		
Other	(28)	(28)
Property, plant and equipment	(12,870)	(11,494)
Total deferred tax liabilities	(12,898)	(11,522)
Net deferred tax liabilities	\$ (6,937)	\$ (7,868)

Deferred tax assets are fully set-off against the deferred tax liabilities within the respective jurisdiction the taxes relate to, except for one jurisdiction in 2025 where the net position is a deferred tax asset of \$829.

18) Income tax expense:

	December 31, 2025	December 31, 2024
Current tax expense	\$ 5,557	\$ 6,291
Deferred tax expense:		
Origination and reversal of temporary differences	(971)	(143)
Total income tax expense	\$ 4,586	\$ 6,148

	2025	2024
Income before income tax	\$18,994	\$24,522
Income tax using the Company's domestic tax rate	26.5% 5,033	26.5% 6,498
Reduced rate for active business and manufacturing and processing	(205)	(310)
Effect of tax rates in foreign jurisdictions	(276)	(180)
Non-deductible expenses	24	81
Other	10	59
	24.1% \$ 4,586	25.1% \$ 6,148

19) Share capital:

a) Authorized:

Unlimited number of Class A subordinate voting shares, no par value.

Unlimited number of Class B common shares with four votes per share, convertible into Class A subordinate voting shares on a one-for-one basis, no par value. Annual dividends on the Class B common shares may not exceed the annual dividends on the Class A subordinate voting shares.

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Unlimited number of Class YA non-voting, no par value, redeemable, retractable shares entitled to non-cumulative discretionary dividends. No dividends shall be declared or paid on the Class YA shares unless the same dividend is simultaneously declared and paid on the Class YB shares.

Unlimited number of Class YB non-voting, no par value, redeemable, retractable shares entitled to non-cumulative discretionary dividends. No dividends shall be declared or paid on the Class YB shares unless the same dividend is simultaneously declared and paid on the Class YA shares.

b) Issued:

	December 31, 2025		December 31, 2024	
8,556,000 Class A shares (2024 - 8,556,000)	\$	10,242	\$	10,242
2,778,300 Class B shares (2024 - 2,778,300)		7		7
	\$	10,249	\$	10,249

No shares were issued in 2025 or in 2024.

c) Dividends:

The following dividends were declared and paid by the Company:

Cash dividends of \$0.06 per Class A subordinate voting share were declared and paid in 2025 (2024 - \$0.06) and cash dividends of \$0.06 per Class B common share were declared and paid in 2025 (2024 - \$0.06).

Total dividends declared and paid in 2025 were \$680 (2024 - \$680).

Subsequent to year end, a cash dividend of \$0.03 Class A subordinate voting share was declared on March 10, 2026, and cash dividends of \$0.03 per Class B common share were declared on March 10, 2026 for a total declared value of \$340.

20) Commitments:

The Company has contractual obligations for outstanding capital expenditures of \$1,503 (2024 - \$998).

21) Contingency:

From time to time, the Company is subject to various legal proceedings and claims arising in the ordinary course of business. Although the outcome of these matters cannot be predicted with certainty, management does not believe that the resolution of these matters will have a material adverse effect on the Company's financial position or results of operations.

22) Earnings per share:

The computations for basic and diluted earnings per share are as follows:

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(amounts (except share amounts) in thousands of Canadian dollars)

	December 31, 2025	December 31, 2024
Net income for the period	\$ 14,408	\$ 18,374
Average number of common shares outstanding:		
Basic and Diluted	11,344,300	11,334,300
Earnings per share:		
Basic	\$ 1.27	\$ 1.62
Diluted	1.27	1.62

No share options to purchase common shares were outstanding as at December 31, 2025 or December 31, 2024.

23) Personnel expenses:

	December 31, 2025	December 31, 2024
Wages and salaries	\$ 68,383	\$ 61,150
Health benefit plans	8,545	7,920
Canada Pension Plan and Employment Insurance	4,555	4,100
Contributions to defined contribution plans	2,260	2,122
	\$ 83,743	\$ 75,292

	December 31, 2025	December 31, 2024
Cost of sales	\$ 61,874	\$ 56,458
Selling and distribution	17,226	14,565
General and administrative	4,643	4,269
	\$ 83,743	\$ 75,292

24) Management share option plan:

As at December 31, 2025, the Company has a stock-based compensation plan, which is described below. No options were granted through December 31, 2025, or in 2024 and no stock options were outstanding as of January 1, 2024, and, accordingly, no stock-based compensation expense has been incurred in either year.

In 1986, the Company established the management share option plan providing for the granting to directors, officers and key employees of the Company options to purchase the Class A subordinate voting shares of the Company. A maximum number of 540,000 Class A subordinate voting shares are issuable under the plan. The exercise price for purchasing Class A subordinate voting shares may not be less than the market price of the Class A subordinate voting shares at the date the option is granted.

25) Determination of fair values:

The carrying values of the Group's financial assets and liabilities, consisting of cash, trade and other receivables, bank indebtedness, trade and other accounts payables approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair values of financial assets and liabilities together with the carrying amounts shown in the statements of financial position are as follows:

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Years ended December 31, 2025, and 2024

(amounts (except share amounts) in thousands of Canadian dollars)

	December 31, 2025		December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortized cost				
Cash	\$ 33,071	\$ 33,071	\$ 24,710	\$ 24,710
Trade and other receivables	36,186	36,186	32,491	32,491
	\$ 69,257	\$ 69,257	\$ 57,201	\$ 57,201
Liabilities carried at amortized cost				
Bank indebtedness	\$ -	\$ -	\$ 283	\$ 283
Trade and other payables	32,721	32,721	26,386	26,386
Term loans	35,097	35,811	41,135	42,109
	\$ 67,818	\$ 68,532	\$ 67,804	\$ 68,778

Term loans are considered level 2 in the fair value hierarchy.

Interest rates used to discount estimated cash flows, when applicable, are based on bank indication rates for similar type arrangements.

Bank indication interest rates	December 31, 2025		December 31, 2024	
	From	To	From	To
Nonsecured variable interest rates	4.45%	5.45%	3.75%	5.00%
Fixed rates				
1 year secured	4.4%	5.4%	4.5%	5.5%
2 year secured	4.6%	5.6%	4.8%	5.5%
3 to 4 year secured	4.9%	5.9%	4.8%	5.5%
5 year secured	5.1%	6.1%	4.9%	5.7%
7 year secured	5.4%	6.4%	5.0%	5.8%
10 year secured	5.7%	6.7%	5.3%	5.9%

Rates fluctuate depending on currency and jurisdiction.

26) Financial instruments and risk management:

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk (b)
- liquidity risk (c)
- market risk (d)
- foreign currency risk (e)
- interest rate risk (f)
- operational risk (g)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

HAMMOND MANUFACTURING COMPANY LIMITED

Notes to Consolidated Financial Statements

Years ended December 31, 2025, and 2024

(amounts (except share amounts) in thousands of Canadian dollars)

a) Risk management framework:

The Board of Directors has overall responsibility for the oversight of the Group's risk management framework. The Board is responsible for monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by the corporate finance group. The corporate finance group undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The carrying amount of financial assets represents the maximum credit risk exposure.

Cash carries minimal credit risk since it is held in reputable financial institutions.

Trade and other receivables:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the accounts receivable department, and future sales are made on a prepayment basis.

The Group does not require collateral in respect of trade and other receivables.

HAMMOND MANUFACTURING COMPANY LIMITED

Notes to Consolidated Financial Statements

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The Group establishes an allowance for doubtful accounts that represents its estimate of expected credit losses that could arise from the failure or inability of customers to make payments when due. This allowance is determined based on historical data of payment statistics for similar financial assets and historical credit losses, adjusted for forward looking factors, specific to the debtor and the economic environment.

The Company is exposed to financial risk that arises from the credit quality of the entities to which it sells products and services. The Company sells to a variety of companies in a number of different industries and geographic areas. As a result, the requirement for an industry specific or geographic reserve is minimal.

The carrying amount of financial assets represents the maximum credit exposure which was as follows at the reporting date:

	December 31, 2025	December 31, 2024
Cash and receivables:		
Cash	\$ 33,071	\$ 24,710
Trade and other receivables	36,186	32,491
	<u>\$ 69,257</u>	<u>\$ 57,201</u>

The maximum exposure to credit risk for cash and receivables at the reporting date by geographic region was:

	December 31, 2025	December 31, 2024
Cash and receivables:		
Canada	\$ 16,924	\$ 17,458
US	50,233	38,030
UK	1,957	1,567
Australia	143	146
	<u>\$ 69,257</u>	<u>\$ 57,201</u>

The following table reflects the net details of trade receivables as at December 31, 2025 and December 31, 2024:

	December 31, 2025			December 31, 2024		
	Gross	Impairment	Carrying value	Gross	Impairment	Carrying value
Aging of trade receivables:						
1 – 30 days	\$ 18,950	\$ -	\$ 18,950	\$ 13,713	\$ -	\$ 13,713
31 – 60 days	13,822	-	13,822	13,850	-	13,850
61 – 90 days	2,729	-	2,729	4,031	-	4,031
Over 90 days	364	(276)	88	564	(356)	208
Trade receivables	<u>\$ 35,865</u>	<u>\$ (276)</u>	<u>\$ 35,589</u>	<u>\$ 32,158</u>	<u>\$ (356)</u>	<u>\$ 31,802</u>

HAMMOND MANUFACTURING COMPANY LIMITED

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Years ended December 31, 2025, and 2024

(amounts (except share amounts) in thousands of Canadian dollars)

The following table provides the roll forward of the allowance for doubtful accounts:

	December 31, 2025	December 31, 2024
Allowance at beginning of year	\$ 356	\$ 541
Actual accounts written off	(25)	(68)
Increase (decrease) in Provision	(55)	(117)
Allowance at end of period	\$ 276	\$ 356
Allowance for doubtful accounts as % of net trade receivable	0.8%	1.1%
	December 31, 2025	December 31, 2024
Trade receivables	\$ 35,865	\$ 32,158
Employee receivables	15	4
Other receivables	582	685
	36,462	32,847
Estimated credit losses	(276)	(356)
Trade and other receivables	\$ 36,186	\$ 32,491

c) Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressful conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses planning tools to identify future cash flow requirements.

The Group has a \$30,000 (2024 - \$30,000) overdraft facility that is secured against inventory and accounts receivable. If drawn upon, interest would be payable at the rate of CORRA (2024 - CORRA). The Company had available unused credit facilities in the amount of \$30,000 at December 31, 2025 (2024 - \$30,000) to meet fluctuations in working capital requirements.

The Group has available a line of credit to finance new equipment purchases of which it has available \$4,817 (2024 - \$10,000).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements. It is not expected that the cash flows included in the maturity analysis will occur significantly earlier or at materially different amounts.

HAMMOND MANUFACTURING COMPANY LIMITED

Notes to Consolidated Financial Statements

Years ended December 31, 2025, and 2024

(amounts (except share amounts) in thousands of Canadian dollars)

December 31, 2025						
	Carrying amount	Contractual cash flows	2026	2027	2028 to 2029	Thereafter
Non-derivative financial liabilities						
Term loans	35,097	(39,743)	(36,114)	(1,692)	(1,937)	-
Lease obligations	25,202	(30,366)	(5,121)	(4,589)	(8,263)	(12,393)
Trade and other payables	32,721	(32,721)	(32,721)	-	-	-
Bank indebtedness	-	-	-	-	-	-
Total	93,020	(102,830)	(73,956)	(6,281)	(10,200)	(12,393)

December 31, 2024						
	Carrying amount	Contractual cash flows	2025	2026	2027 to 2028	Thereafter
Non-derivative financial liabilities						
Term loans	41,135	(48,200)	(42,879)	(1,692)	(3,308)	(321)
Lease obligations	15,310	(18,164)	(4,066)	(3,348)	(4,676)	(6,074)
Trade and other payables	26,386	(26,386)	(26,386)	-	-	-
Bank indebtedness	283	(283)	(283)	-	-	-
Total	83,114	(93,033)	(73,614)	(5,040)	(7,984)	(6,395)

d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The Group is also exposed to market risk from the imposition of tariffs, as the importer of record, into foreign jurisdictions, primarily the US. Changes in tariff rates could cause unanticipated fluctuations in the Group's operating results.

e) Foreign currency risk:

The Group has a substantial number of transactions denominated in US dollars and is exposed to risk with respect to fluctuations in exchange rates between Canadian and US dollars. The Group holds smaller positions in other foreign currencies. The Group does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, variations in foreign exchange rates could cause unanticipated fluctuations in the Group's operating results.

HAMMOND MANUFACTURING COMPANY LIMITED

Notes to Consolidated Financial Statements

Years ended December 31, 2025, and 2024

(amounts (except share amounts) in thousands of Canadian dollars)

The following charts depicts the foreign currency positions:

Currency		Accounts receivable		Accounts payable	
		Dec 31, 2025	Dec 31, 2024	Dec 31, 2025	Dec 31, 2024
Australia	AUD	42	62	(17)	(29)
Europe	EURO	354	238	(2)	(27)
New Zealand	NZD	197	30	-	-
Taiwan	TWD	136	50	(7,155)	(617)
UK	GBP	529	424	(365)	(536)
US	USD	14,375	12,612	(8,347)	(4,380)

Currency		Long-term debt		Lease liabilities	
		Dec 31, 2025	Dec 31, 2024	Dec 31, 2025	Dec 31, 2024
UK	GBP	-	-	(3,779)	(2,826)
US	USD	-	(1,225)	(2,250)	(330)

Long-term debt and lease liabilities denominated in foreign currencies may affect the amount of principal and interest payments ultimately recorded.

Sensitivity Analysis:

An average one-cent decrease of the Canadian dollar against the US dollar in 2025 would have increased net sales by \$1,286 (2024 - \$1,126) and increased income from operations by \$1,444 (2024 - \$1,235). Inversely, a one cent increase in the Canadian dollar against the US dollar in 2025 would have had the equal but opposite effect. This analysis assumes that all other variables remain constant. As noted, the Company does deal in other currencies but the level of impact of these currencies would not be significant.

f) Interest rate risk:

Interest rate risk arises from the possibility that the cash flows related to a financial instrument fluctuate as a result of changes in market interest rates. The Group is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash, bank indebtedness, and its float rate term loans. Changes in variable interest rates could cause unanticipated fluctuations in the Group's operating results.

Sensitivity Analysis:

A one percent increase (or decrease) in the variable rates charged on ending 2025 bank indebtedness would increase annual interest expense by \$nil (2024 - \$nil). This analysis assumes that all other variables remain constant.

g) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, liquidity and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

HAMMOND MANUFACTURING COMPANY LIMITED

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Years ended December 31, 2025, and 2024

(amounts (except share amounts) in thousands of Canadian dollars)

The Group's objective in managing operational risk is to protect its financial position and reputation by maintaining an effective control environment, while ensuring that risk management practices remain proportionate, cost-effective, and supportive of initiative and innovation.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance, when this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by the corporate finance group. The results of the reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management:

In order to manage capital, the Group regularly identifies and assesses risks that threaten the ability to meet the Company's capital management objectives and determines the appropriate strategy to mitigate these risks.

The Group's objectives when managing capital are to:

- maintain financial flexibility to preserve its ability to meet financial obligations
- deploy capital to provide an appropriate investment return to its shareholders
- maintain capital structure that allows multiple financing options to the Group should a financing need arise.

The Group defines its capital as follows:

- equity
- long-term debt, including the current portion
- cash and cash equivalents and short-term borrowings

The Group is subject to externally imposed capital requirements through the covenants of its facility arrangements with the bank. The covenants measure Debt to Total Net Worth and Debt Service Ratio. The Group is in compliance with its covenants at December 31, 2025 and has been in

HAMMOND MANUFACTURING COMPANY LIMITED

Notes to Consolidated Financial Statements

Years ended December 31, 2025, and 2024

(amounts (except share amounts) in thousands of Canadian dollars)

compliance with its covenants through 2024 and 2025. There were no changes to the Group's approach to capital management during 2025. Neither the Company, nor any of its subsidiaries, is subject to externally imposed capital requirements.

27) Segment disclosures:

The continuing operations of the Company are in one operating segment, electrical and electronic components.

The Company and its subsidiaries operate in Canada, the US, the UK and Australia.

Geographic segments	Twelve Months Ended:	
	December 31, 2025	December 31, 2024
Net product sales:		
Canada:		
Sales to customers	\$ 88,784	\$ 78,882
US:		
Sales to customers	177,792	151,909
All other countries:		
Sales to customers	14,830	14,107
Net product sales	\$ 281,406	\$ 244,898
Non-current assets:		
Canada:		
Non-current assets	\$ 84,562	\$ 81,417
US:		
Non-current assets	4,893	1,592
All other countries:		
Non-current assets	7,522	5,695
Total	\$ 96,977	\$ 88,704

28) Related party transactions:

- a) Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management included:

	Twelve Months Ended:	
	December 31, 2025	December 31, 2024
Salaries and short-term employee benefits	\$ 1,450	\$ 1,241
Dividend payouts to Key Management	271	271
Total Remuneration	\$ 1,721	\$ 1,512

- b) The Company purchased \$3,050 of products from RITEC in 2025 (2024 - \$1,718). The Company sold \$15 of products to RITEC in 2025 (2024 - \$6). These transactions were made in the normal course of business and have been recorded at the exchange amounts, being the amount agreed to by the two parties.

HAMMOND MANUFACTURING COMPANY LIMITED

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(amounts (except share amounts) in thousands of Canadian dollars)

All outstanding trade balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured. Receivables as at December 31, 2025 were \$57 (2024 - \$229) while payables were \$388 (2024 - \$nil). Trade receivables and payables to related parties are included within trade and other receivables and trade and other payables on the Consolidated Statement of Financial Position.

c) The Chairman of the Company, Robert Frederick Hammond, through direct and indirect ownership of Class A and Class B voting shares, effectively controls the Company.

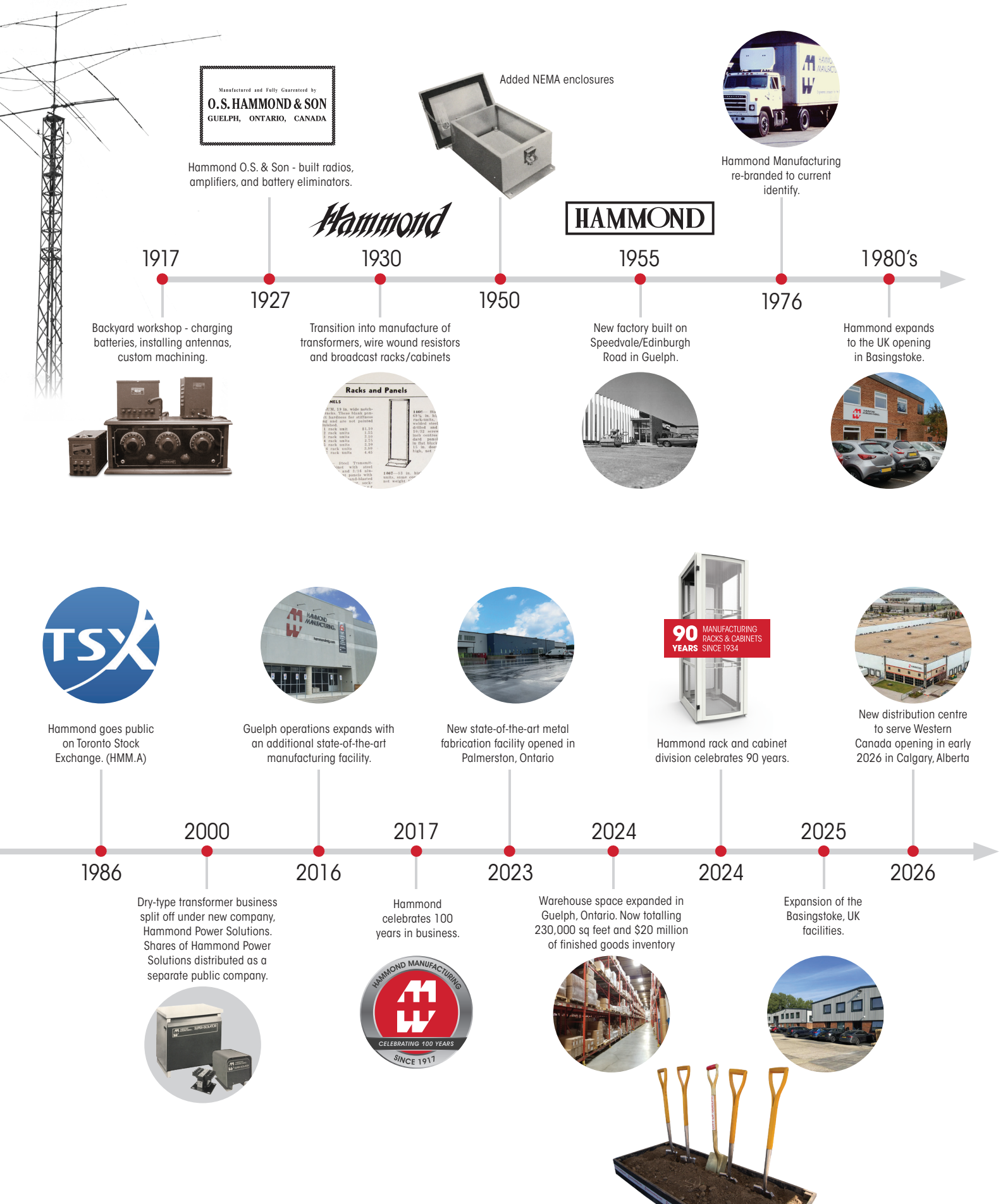
d) Consolidated entities:

HAMMOND MANUFACTURING COMPANY LIMITED			
	Country of incorporation	% Ownership interest	
		December 31, 2025	December 31, 2024
Les Fabrications Hammond (Quebec) Inc. / Hammond Manufacturing (Quebec) Inc.	Canada	100	100
Hammond Electronics Pty Limited	Australia	100	100
Hammond Electronics Limited	UK	100	100
Subsidiary of above:			
Hammond Electronics Asia Limited	Taiwan	100	100
Hammond Electronics B.V.	Netherlands	100	100
Hammond Manufacturing Company Inc.	US	100	100
Subsidiaries of above:			
Hammond Holdings Inc.	US	100	100
Paulding Electrical Products, Inc	US	100	100

The year end for each of the entities listed in the table above is December 31.

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HAMMOND® Through the Years





Corporate Directory

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Directors

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Chairman and CEO

*Edward Sehl
Principal - Sehl Consulting

*Paul Quigley
President - Quigley Group Inc.

Sheila Hammond B.A., B.Ed., M.Sc.
Registered Marriage & Family Therapist
Officer & Director, Eramosa Group Ltd.

*Michael Fricker
CFO at Sarku Japan
Director of Tippet Foundation

*Blaine Witt
Vice President – Senior Consultant of Witt Holding Company Inc.

Sarah Hansen
Western Regional Sales Manager at Hammond Manufacturing Canada Limited
Director of Eramosa Group Ltd.
Director of DKH Engineering Services Inc.

Officers / Senior Management

Robert F. Hammond
Chairman and CEO

Alexander Stirling
Secretary and Executive VP

Paul Heuts
CFO

Ross N. Hammond
Assistant Secretary

Auditors

KPMG LLP
SHAW GIBBS Limited, UK
Australian Independent Audit Services

Legal Counsel

Borden Ladner Gervais

Transfer Agent and Registrar

Computershare Investor
Services Inc.

Stock Listing

Toronto Stock Exchange
Symbol: HMM.A

Bankers

Royal Bank of Canada (in Canada)
HSBC (Rest of World)

*Members of the Audit Committee and Compensation Committee

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